NEOLINK
优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liabiltiy)

(Stock Code: 8116)

Annual Report 2005

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 annual 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 annual 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 annual report misleading; and (iii) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

DIRECTORS

Executive Directors

Mr. Cai Zuping *(Chairman)*
Mr. Wu Yangang *(Vice Chairman)*
Mr. Zhang Zheng *(Chief Executive Officer)*
Mr. Sun Guiping

Non-executive Director

Mr. Chen Kang

Independent Non-executive Directors

Mr. Jin Ge *(Chairman)*
Mr. Pan Boxin
Mr. Sik Siu Kwan

AUTHORISED REPRESENTATIVES

Mr. Cai Zuping
Mr. Ang Wing Fung *CPA (Aust), CPA*

AUDIT COMMITTEE MEMBERS

Mr. Jin Ge *(Chairman)*
Mr. Pan Boxin
Mr. Sik Siu Kwan

NOMINATION COMMITTEE MEMBERS

Mr. Jin Ge *(Chairman)*
Mr. Pan Boxin
Mr. Sik Siu Kwan

REMUNERATION COMMITTEE MEMBERS

Mr. Jin Ge *(Chairman)*
Mr. Pan Boxin
Mr. Sik Siu Kwan

COMPLIANCE OFFICER

Mr. Zhang Zheng

COMPANY SECRETARY

Mr. Ang Wing Fung *CPA (Aust), CPA*

QUALIFIED ACCOUNTANT

Mr. Ang Wing Fung *CPA (Aust), CPA*

AUDITORS

HLM & Co.
Certified Public Accountants
Room 305,
3rd Floor,
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Ltd.

LEGAL ADVISORS

On Hong Kong Law:
Chiu, Szeto & Cheng Solicitors

On Cayman Islands Law:
Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

Unit D, 14/F
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Butterfield Bank (Cayman) Limited
Butterfield House
Port Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong

Abacus Share Registrars Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

8116

Website of the Company

www.neolink.cn

Chairman's Statement

I am pleased to announce the audited annual results of the Company and the Group for the year ended 31 December 2005 on behalf of the Board of Directors.

The total turnover of the Group for the year ended 31 December 2005 was HK$27.9 million, representing a decrease of 5% as compared with HK$29.3 million for the previous year. The decrease in turnover is that the government bodies, previously the major customer of the Group, reduced orders as a result of technological upgrade.

The total profit attributable to shareholders for the year ended 31 December 2005 was HK$10.2 million, with earning per share amounted to HK1.8 cents. After deduction of a special gain amounted to HK$12.8 million acquired through the disposal of equity interests of a subsidiary by the Group at the beginning of the year, the loss from operation for the year ended 31 December 2005 was HK$5.5 million (2004: HK$2.6 million). Compared to the previous year, the Group's operating losses were increased due to no profit was realized by both vehicle call centre project and intelligent traffic project developed by the Group. Generally speaking, the future prospect of the Group looks gloomy. The Radio Trunking Systems Integration business failed to climb higher and other value-added telecommunication related technical services could only show little improvement since the market condition remains difficult and competition seems intensified, thus exerting tremendous pressure on the Group's business growth and profitability. The Group will continue adhering to its prudent decision-making and focusing on existing business reinforcement and development strategy. In the meantime, the Group will accelerate the pace of automobile information service project development, so as to bring new sources of profits through innovative technology and business and to materialize the Group's long-term sustainable development.

A strategic adjustment was executed due to the substantial differences arising between the actual and the expected sales of the automobile terminal products developed by a subsidiary of the Group, Neolink Broadway Intelligent Transportation Information Technology (Shanghai) Limited(優能博聞智能交通信息技術(上海)有限公司)(Neolink Broadway). The Group has concentrated its major resources for the Vehicle Call Centre Project in Beijing, although numerous unexpected difficulties caused delay to the development schedule. However, we have overcome all obstacles and difficulties encountered and looking forward to a prosperous growth of our future.

The Group's Hangzhou factory compound construction project has been delayed due to planning issues. Front-end preparation has been terminated for the time being, but construction works should commence operations in the near future.

Facing all these difficulties, our staff has demonstrated their strenuous efforts in innovation, diligence and hard working that can assuredly lead the Group to conquer any challenges ahead with their team spirit and ever strongest support. We believe, with the joint efforts from all staff, the Group will drive the business forward in the days to come and hence generate even greater returns for the shareholders.

On behalf of the board of Directors, I would like to express my heartfelt thanks to all levels of the staff and the Management for their efforts and contributions in 2005 and my deep gratitude to our clients, business partners and shareholders for their utmost support.

Cai Zuping
Chairman

BUSINESS REVIEW AND OUTLOOK

Radio Trunking Systems Integration

For the year ended 31 December 2005, the radio trunking business of the Group recorded turnover of HK$21.4 million, representing a decrease of 14% as compared to the same period in the previous year. The main reason for such decrease is that the government bodies, which were previously major customers of the Group, reduced their orders as a result of technological upgrade.

The Group's new market expansion has achieved results. With stable orders obtained from the government bodies, we actively developed an extensive customer base in order to gradually heave the proportion of new market's share within our overall turnover. In particular, the Group is confident on the exploitation of the public safety sector market, which is expected to be one of the major source of income in 2006.

In the year 2005, the Group had successfully developed the digital trunking communication system based on the FDMA system, resulting in our strengthened capabilities to manufacture and develop a series of related products and software independently. Having the above technological advancement, we can fully suit the needs of customers arising during the transitional period of changes in standard requirements between the new and old digital trunking communication systems, which are expecting to see promising growth in the market.

In the first quarter of 2005, Neolink Communications Technology (Hangzhou) Limited, a wholly owned subsidiary of the Group established in Hangzhou, obtained approval from the Foreign Trade and Economic Bureau of Hangzhou High-Tech Development Zone to receive a piece of land with an area of 11,452 sq.m. granted by the Hangzhou National High-Tech Development Zone with a discounted market price. On which, the Group plans to build an office building as its research, development and production base for the communications business department. Front-end exploration and designing works were completed, while the overall construction plan had been finalized as well.

Development of digital trunking system

In 2005, the Group continued to focus on its strategy of developing digital trunking system, and more resources will also be placed towards the research and development activities on the third generation digital trunking system. Depending on the market development, products with suitable features will be launched accordingly.

Provision of value-added telecommunication related technical services

The Group continued to cooperate with Haoyuan Yingte, its long-term partner, in the provision of value-added telecommunication related services throughout various large cities in China. For the year ended 31 December 2005, turnover of value-added telecommunication related technical services provided by the Group was HK$6.5 million, representing an increase of 50% as compared to the corresponding period last year. As the tightening of administration regarding value-added telecommunication by the telecommunication administration departments continues, costs on number occupany fees increase and competition within the industry intensifies, the Group's business development is adversely affected. The Group is actively assisting Haoyuan Yingte in seeking new ways of promotion so as to secure more business.

Besides, at the time of listing of the Company's shares in July 2000, the Company applied for and was granted by the Stock Exchange waiver from strict compliance with the relevant requirements under the GEM Listing Rules in respect of the Haoyuan Yingte Transaction. Such waiver was renewed following an extraordinary general meeting approving the relevant transaction convened on 9 October 2003 and was expired on 31 December 2005 (details of which are set out in the announcement and circular of the Company dated 28 August 2003 and 17 September 2003 respectively).

Management Discussion and Analysis

During the recent discussion with Haoyuan Yingte, the Company was informed the Haoyuan Yingte will, due to the change in market condition and technology advancement, cease to engage the Group for the provision of technical services from 2006 onwards. In addition, in order to release the Group's resources to other business area and provide the Group with more flexibility in negotiating terms with Haoyuan Yingte for any future technical services provided, both the Company and Haoyuan Yingte agreed to terminate the framework agreement in respect of the Haoyuan Yingte Transaction.

Development of Vehicle Call Center ("Carbase Project")

In 2005, the Group's focus development – Carbase Project is still making progress. Trial production for the first-generation vehicle terminal used specially for the project has been completed and installation works were also made to certain vehicles. The joint development of second-generation vehicle terminal with a Korean based company is in progress. A small service center has already commenced operations around the clock, and its marketing activities has been successfully launched. Despite the fact that the whole development plan was postponed due to technical issues, the service features and qualities of our products have been greately improved. The year 2005 is a critical period for this project to be examined by the market. The Group believes that this business segment will have a bright future, though challenges are lying ahead.

In the first quarter of this year, the Group executed the acquisition agreement, which was signed on 27 December 2004 with Pem-America Inc., and obtained a proceed of HK$23,000,000 through the disposal of its equity interest in a subsidiary. This helps to drive the growing momentum for Carbase project's development.

The taxi anti-robbery and deployment terminals, developed by Neolink Broadway, received good market response with orders from some cities in western part of China. However, as prepayments by customers have not been in place, such products are not yet delivered for the sake of assured payment according to our previous experiences. The expected sales at the beginning of the year cannot be realized. The Group had promptly readjusted the market position of Neolink Broadway and concentrated resources for its development in feasible markets.

FINANCIAL REVIEW

Financial performance

The Group's consolidated turnover amounted to approximately HK$27.9 million for the year ended 31 December 2005, representing 5% decrease as compared to last year. The decrease in turnover is that the government bodies, previously the major customer of the Group, reduced orders as a result of technological upgrade. Turnover of radio trunking systems integration contributed was approximately HK$21.4 million which is approximately 76% of the total turnover of the Group. Radio trunking systems integration itself decreased by almost 14% as compared to the previous year. Provision of telemedia-related and other value-added telecommunication-related technical services recorded a turnover of approximately HK$6.5 million which increased by 50% as compared to last year. In year 2005, increase in marketing and in promotional activities for the telemedia-related services in the PRC, this efforts leads to increase in turnover of the telemedia-related and other value-added telecommunication-related technical services. There is no turnover in other business during the year. Sales of automobile global positioning system and others business were in initial setting up phases.

The gross profit for the year under review was approximately HK$18.6 million, there was no significant change in gross profit as compared to last year. The gross profit margin of the Group increased to 66% (2004: 62%).

HK$2.6 million of other revenue mainly represents the refund of PRC value-added tax and Government grant for special projects of Radio trunking system. During the year, increase in other revenue was 15% as compared to last year.

Distribution costs for the year ended 31 December 2005 increased to approximately HK$4.5 million from HK$3.6 million last year. The increase in distribution cost was mainly due to increase in promotion activities for new projects and carbase project business during the year. Administrative expenses increased by 14% to HK$22 million in 2005 (2004: HK$20 million), primarily as a result of additional staff cost for research and development activities of carbase project.

Profit attributable to shareholders of the year ended 31 December 2005 was approximately HK$10.2 million; whereas, the loss attributable to shareholder of HK$3 million in 2004.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flow and banking facilities, the Group has established a long term relationship with financial institutions in the People's Republic of China ("PRC"). The bank borrowings of the Group as at 31 December 2005 amounted to approximately HK$1.4 million (2004: HK$4.7 million) which are repayable within one year, are interest-bearing at prevailing market rates and are denominated in Renminbi ("RMB"). The banking facilities arranged by the Group reflected our strategy to fund the Group's operations in local trading currency. As a result, bank borrowing remains low level as compared to previous years, the finance costs of the Group for the year under review were HK$0.4 million.

As at 31 December 2005, the Group has a low gearing ratio of 0.03 (2004: 0.17), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total bank and cash balances were approximately HK$19 million (2004: HK$10 million). Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Capital structure

There was no change in the capital structure of the Group as at 31 December 2005 as compared with that as at 31 December 2004.

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 31 December 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 acquire land use rights at a total consideration of HK$2,537,000 (RMB2,715,000). 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 future plan for material investments or capital assets as at 31 December 2005.

Charge on group assets

As at 31 December 2005, certain land and buildings under long leases outside Hong Kong with net book value of approximately HK$1.28 million were pledged to a bank to secure banking facilities.

Foreign exchange exposure

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

Management Discussion and Analysis

Contingent liabilities

As at 31 December 2005, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 31 December 2005, the Group employed a workforce of approximately 345, the majority of whom were employed in the PRC. Staff costs, excluding Directors' emoluments, amounted to approximately HK$13 million. 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.

Acquisitions and disposals of subsidiaries and affiliated companies

During the year, 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.

Save a disclosed above, the Group had no acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2005.

Introduction

The Code on Corporate Governance Practices (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2005.

Board Composition

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and Chief Executive and the management.

The Board comprises a total of Eight Directors, with four Executive Directors, namely, Mr. Cai Zuping (Chairman), Mr. Wu Yangang (Vice-Chairman), Mr. Zhang Zheng (Chief Executive Officer) and Mr. Sun Guiping and one Non-executive Director, namely, Mr. Chen Kang; and three Independent Non-executive Directors, namely, Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan. one Independent Non-executive Directors have appropriate professional qualifications, accounting and financial management expertise.

The posts of Chairman, Vice Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman and Vice Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Board Operation

The Board meets regularly over the Company's affairs and operations. In 2005, the Board held four meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Mr. Cai Zuping *(Chairman)*	4/4
Mr. Wu Yangang *(Vice Chairman)*	2/4
Mr. Zhang Zheng *(Chief Executive Officer)*	4/4
Mr. Sun Guiping	2/4
Non-executive Director	
Mr. Chen Kang	2/4
Independent Non-executive Directors	
Mr. Jin Ge	3/4
Mr. Pan Boxin	4/4
Mr. Sik Siu Kwan	4/4

Non-executive Directors

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company.

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by either party or the Company to terminate the same. Except that they are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

Remuneration of Directors

As mentioned above, a remuneration committee was formed on 30th October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan.

No meeting has been held in 2005 to review the remuneration packages of Executive Directors, which are nominal by market standards, as the Company does not see a need to review them. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels and the additional work they are requested to take on, following the formation of the remuneration committee and the nomination committee. The Remuneration Committee held a meeting on 22 March 2006 to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group. Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan attended this meeting.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2006.

Nomination of Directors

As mentioned above, a Nomination Committee was formed on 31 October 2005 for, inter alia, the following purposes:–

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

The Nomination Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Jin Ge (Chairman), Mr. Pan Boxin and Mr. Sik Siu Kwan. The Nomination Committee held its first meeting on 22 March, 2006 to review the structure, size and composition of the Company's Board of Directors. Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan attended this meeting. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2006.

Auditors' Remuneration

The remuneration in respect of audit provided by the auditors, HLM & Co., to the Company in the year 2005 amounted to HK$350,000. There is no Non-audit services provided by HLM & Co.

Audit Committee

The Company's Audit Committee was formed on 13 July, 2000 and is currently composed of all three Independent Non-executive Directors of the Company, namely, Mr. Jin Ge, Mr. Pan Boxin, Mr. Sik Siu Kwan. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2005, the Audit Committee held four meetings. The attendance record of each member of the Committee is set out below:

	Attendance
Mr. Jin Ge *(Chairman)*	3/4
Mr. Pan Boxin	4/4
Mr. Sik Siu Kwan	4/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in CG Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2005.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CAI Zuping, aged 48, is the chairman of the Company. Mr. Cai is one of the founders of the Group and is responsible for the overall strategic planning of the Group and the planning of the Group's business development in the PRC. Mr. Cai graduated from an electronic engineering college in Taiyuan, Shanxi, the PRC and since then, has worked in communication related government departments in the PRC for six years. Mr. Cai founded the Group in 1990 and has over 20 years of experience in the communications industry.

Mr. WU Yangang, aged 52, is the vice chairman of the company is a master degree holder from Huazhong University of Science and Technology. Mr. Wu is currently the Vice General Manger of Hu Bei Qingjiang Hydro-electric Development Co. Ltd., Chairman of Shenzhen Qingjiang Investment and Development Co. Ltd., and Director of Infonet Group Co., Ltd. Mr. Wu had served in governmental departments and state-owned large enterprises and accumulated over 30 years of extensive experience in corporate management and project investment.

Mr. ZHANG Zheng, aged 44, is an Executive Director and compliance officer of the Company. Mr. Zhang is responsible for the day-to- day management of the Group's businesses. Mr. Zhang holds a bachelor degree in engineering from Ceramics College of the PRC and has over 20 years of experience in computer and communications. Mr. Zhang joined the Group in 1992. Prior to joining the Group, Mr. Zhang worked for the Hangzhou Automation Research Institute and subsequently worked in a senior management position for five years in a Sino-foreign equity joint venture computer company in the PRC.

Mr. SUN Guiping, aged 43, is an Executive Director, is a bachelor degree holder from Chengdu University of Science and Technology and a master degree holder from Wuhan University. Mr. Sun is currently the secretary of commission of Hu Bei QingJing hydro-electric Development Co. Ltd. and Director of Infonet Group Co., Ltd. and Yichang Qingjiang Industry Co. Ltd. Mr. Sun had held senior positions in state-owned large enterprises and accumulated over 20 years of extensive experience in project investment and corporate management.

NON-EXECUTIVE DIRECTOR

Mr. CHEN Kang, aged 46, was appointed as a Non-executive Director of the Company on 3 July 2002. Mr. Chen graduated from Beijing University of Chemical Technology, the PRC and Newcastle University of England. Mr. Chen has over 17 years of experience in the fields of chemical technology, information technology and telecommunications. Mr. Chen is currently a director of Smartrade Telecommunications Technology Limited engaged in PRC telecommunications business and a director of Smart Act Software Company Limited engaged in PRC software development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. JIN Ge, aged 54, has obtained bachelor degree of Applied Physics in National Defence Technology University in People's Republic of China. Mr. Jin was participating in research activities in Biology and Physics Laboratory in the China Scientific Research College. He has more than 20 years of experience in institutional management. Since 2002, Mr. Jin is the general manager of Beijing Jin Yun Net Technology Limited.

Mr. PAN Boxin, aged 63, is an Independent Non-executive director of the Company. Mr. Pan is currently a director who participates in the operations of the Shanghai Diamond Exchange Market which engages in diamond trading and verification.

Mr. SIK Siu Kwan, aged 38, is a member of The Institute of Chartered Accountants in England and Wales. Mr. Sik has more than 10 years of experience in investment banking and finance. Mr. Sik is also the Independent Non-executive director of Vision Grande Groups Limited, which is a listed public company in the Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. LU Chunming, aged 49, is the vice president of the Company. Mr. Lu is also the general manager of Beijing Neolink Information Technology Company Limited and is responsible for the management of telemedia business of the Group. Mr. Lu graduated from Beijing Teacher's University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu worked for the Post and Telecommunication Science Research Institute and Authorities Service Bureau of the former MPT. Mr. Lu has more than 20 years of experience in the communications industry.

Mr. CHEN Huanming, aged 41, is the vice president of the Company. Mr. Chen is also the general manager of both Hangzhou Neolink Communication Equipment Company Limited, Neolink Communications Technology (Hangzhou) Limited, Neolink Electronic Technology (Beijing) Company Limited and Hangzhou Neolink Software Technology Company Limited. Mr. Chen is responsible for the management of radio trunking systems integration business of the Group. Mr. Chen holds a bachelor degree in electronic engineering from Zhejiang University in the PRC and joined the Group in 1992. Mr. Chen has over 18 years of experience in the electronics and communications industries.

Mr. MI Lei, aged 42, is the head of the research centre of Hangzhou Neolink Communication Equipment Company Limited and is responsible for the research and development of new products for the Group. Mr. Mi graduated from Zhejiang University in the PRC with a bachelor degree in electronic engineering. Mr. Mi joined the Group in 1996 and has over 19 years of experience in the electronics and communications industries.

Mr. ANG Wing Fung, aged 33, is the Company secretary and finance manager of the Company, holds a Bachelor degree in Accounting and Finance from The University of New South Wales, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants and a qualified member in CPA Australia. He has over 8 years experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong.

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Group is principally engaged in radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 and the state of the affairs of the Group at that date are set out in the financial statements on pages 22 to 52.

The Directors do not recommend the payment of a dividend for the year.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2005 are set out in note 17 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group and of the Company are set out in note 14 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in statement of changes in equity on pages 25 and 49 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2005, the Company has no reserves available for distribution to shareholders (2004: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

BANK LOANS

Particulars of the bank loans of the Group as at 31 December 2005 are set out in note 22 to the financial statements.

DONATION

The Group did not make any charitable donation during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with reasons therefore, are set out in notes 23 and 25 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 53.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	16%
–	five largest suppliers combined	42%

Sales

–	the largest customer	46%
–	five largest customers combined	82%

The major customers of the Group included Haoyuan Yingte.

Save as mentioned above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS

The Directors who held office during the year were:

Mr. Cai Zuping	
Mr. Wu Yangang	(appointed on 5 August 2005)
Mr. Li Chaobin	(resigned on 5 August 2005)
Mr. Zhang Zheng	
Mr. Sun Guiping	(appointed on 5 August 2005)
Mr. Su Hongjin	(resigned on 5 August 2005)
Mr. Chen Kang #	
Mr. Wong Ping Wong*	(resigned on 4 April 2005)
Mr. Jin Ge*	(appointed on 24 June 2005)
Mr. Pan Boxin*	
Mr. Sik Siu Kwan*	

Non-executive Director
* *Independent Non-executive Director*

One third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors, Non-executive Directors and Independent Non-executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than three calendar months' notice in writing.

As at 31 December 2005, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 29 to the financial statements, no contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees details of the scheme is set out in note 25 to the financial statements.

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

As at 31 December 2005, the interests of the Directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Long positions in ordinary shares of the Company

Name of the Directors	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 31 December 2005, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associates corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme ("the Scheme") for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant Options to attract, retain and reward all the Directors, any employee, any consultant or adviser of or to any company in the Group or any invested entity and any supplier of goods or services to any member of the Group or any invested entity, any person or entity that provides research, development or other technological support to the Group or any invested entity, and for the purposes of the New Scheme ("Eligible Person (s)") for their contribution to the Group and by enhancing such Eligible Persons' contribution to increase profits.

The Scheme became effective for a period of 10 years commencing on 17 April 2003. Under the Scheme, the Directors of the Company may at their discretion to grant any Eligible Person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of Option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the Option. The exercise period of the Option must not be more than 10 years from the date of grant of the Option. However, no Option may be exercised before the first anniversary of the date on which the Option is granted.

The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Share in issue from time to time.

The total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the EGM.

The total number of Shares available for issue under the Scheme as at 31 December 2005 was 56,400,000, representing 10% of the issued share capital of the Company as at 31 December 2005.

During the year, 27,150,000 (2004: 27,150,000) share options were granted to certain employees of the Group. Movements of share options granted under the Scheme during the year are as follows:

Date of grant	Exercise period	Exercise price per share	Closing price before the date of grant	Number of share options outstanding at 1 Jan 2005	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 Dec 2005
24 June 2004	24 June 2005 – 23 June 2008	0.20	0.17	27,150,000	–	–	–	27,150,000

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2005, so far as is known to the Directors of the Company, the following persons (other than a Director and the Chief Executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of the Shareholders	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. Harbour Smart, a company incorporated in Hong Kong, has interest in the Company through its shareholding of 26% in Infonet. Mr. Shu Zhan and Mr. Zheng Xiaoyin are the executive director and shareholder of the Harbour Smart and hold the shares of Harbour Smart on trust for Hubei Qing Jiang, Hydro-electric Development Limited, a state-owned corporation in the PRC. Mr. Shu Zhan and Mr. Zheng Xiaoyin, are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. They are not involved in the management of the Company and its subsidiaries.

3. Mr. Wang Yuan and Mr. He Yuefeng are independent third parties not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. They are not involved in the management of the Company and its subsidiaries. Mr. Wang Yuan and Mr. He Yuefeng have interest in the Company through their shareholdings of 19.93% and 13.04% in Infonet respectively.

Save as disclosed above, as at 31 December 2005, the Company had not been notified of any other person or company (other than a director or chief executive of the Company) who had registered an interest or short positions in the Shares and underlying Shares of the Company that was required to be recorded under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 28 to the financial statements.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 29 to the financial statements.

(1) Continuing connected transactions

At the extraordinary general meeting of the Company held on 9 October 2003, the ordinary resolution approving the Ongoing Connected Transactions (as defined and more particularly described in the circular of the Company to the Shareholders dated 17 September 2003) was duly passed by the independent Shareholders, in relation to the continuation of the Haoyuan Yingte Transactions for a three-year period and Beijing Neolink Information Technology Company Limited ("Beijing Neolink IT"), wholly-owned subsidiary of the Company, entered into a technical services agreement with Haoyuan Yingte regarding the provision of telemedia-related and other value-added telecommunication-related technical services by the Group to Haoyuan Yingte (Note(i)). Haoyuan Yingte was a company incorporated in the PRC and was beneficially owned as to 50.6% by Ms. Cai Qianping, the sister of Mr. Cai Zuping, an executive director of the Company, and as to 49.4% by Hubei Qing Jiang. During the year, the total service income earned by the Group amounted to approximately HK$6.5 million.

The independent non-executive directors of the Company have reviewed the above transactions and confirmed that the transactions have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

(2) Other connected transactions

The following transactions are exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules:

(a) On 1 January 2003, the Company entered into a service agreement with Qing Jiang HK and Harbour Smart regarding the provision of office administration services by the Company to Qing Jiang HK and Harbour Smart. The total service income earned by the Company amounted to HK$25,000 for the year ended 31 December 2005.

During the year the Group borrowed loan of approximately HK$3,210,000 (2004: HK$3,738,000) 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. The interest paid on payable to Shenzhen Communication for the year amounted to approximately HK$0.2 million.

(b) During the year, the Group's banking facilities amounted to HK$11,429,000 (2004: HK$7,477,000) were guaranteed by Haoyuan Yingte.

Notes:

(i) 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.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2005, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company not any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

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 audited total asset value of the Group as at 31 December 2005 was approximately HK$65,813,000.

Trade receivable in the amount of approximately HK$11,283,000 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 17% of the total asset.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

AUDITORS

Messrs. HLM & Co. have been appointed as auditors of the Company since the retirement of Messrs. RSM Nelson Wheelor at the 2005 extraordinary general meeting of the Company held on 17 February 2006. The financial statements of the Company for the year ended 31 December 2005 have been audited by Messrs. HLM & Co., who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the board

Cai Zuping
Chairman

Hong Kong, 24 March 2006

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF NEOLINK CYBER TECHNOLOGY (HOLDING) LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 22 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Directors are responsible for preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 and of the profit and cashflow of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 24 March 2006

Consolidated Income Statement

For the year ended 31 December 2005

	NOTES	2005 HK$'000	(Restated) 2004 HK$'000
Turnover	4	**27,971**	29,306
Cost of sales and services		**(9,358)**	(11,192)
Gross profit		**18,613**	18,114
Other revenue	4	**2,684**	2,335
Distribution expenses		**(4,449)**	(3,556)
Administrative expenses		**(22,306)**	(19,509)
Loss from operations	6	**(5,458)**	(2,616)
Gain on deemed disposal of interest in a subsidiary		**12,861**	–
Finance costs	7	**(405)**	(312)
Profit (loss) before taxation		**6,998**	(2,928)
Taxation	8	**(328)**	(46)
Net profit (loss) for the year		**6,670**	(2,974)
Profit (loss) attributable to Shareholders	9	**10,151**	(3,065)
(Loss) profit attributable to Minority interest		**(3,481)**	91
		6,670	(2,974)
Dividends	10	**–**	–
		HK cents	HK cents
Basic earnings (loss) per Share attributable to Shareholders	11	**1.80**	(0.54)

Consolidated Balance Sheet

At 31 December 2005

	NOTES	2005 HK$'000	(Restated) 2004 HK$'000
Non-current assets			
Property, plant and equipment	14	**9,824**	7,504
Intangible assets	15	**1,467**	–
Lease premium for land	16	**2,621**	–
		13,912	7,504
Current assets			
Inventories	18	**6,928**	4,659
Trade receivables	19	**16,407**	20,568
Other receivables, deposits and prepayments		**5,028**	4,749
Tax recoverable		**–**	135
Amounts due from related companies		**4,271**	5,745
Pledged bank deposits		**338**	331
Cash and bank balances		**18,929**	9,992
		51,901	46,179
Current liabilities			
Trade payables	20	**1,854**	6,300
Accruals and other payables		**9,133**	8,314
Deposit received		**397**	410
Amount due to ultimate holding company	21	**2,461**	2,511
Amount due to related companies		**3,271**	4,286
Taxation payable		**275**	–
Secured bank loan	22	**1,429**	4,673
		18,820	26,494
Net current assets		**33,081**	19,685
Total net assets		**46,993**	27,189
Capital and reserves			
Share capital	23	**56,400**	56,400
Reserves		**(9,407)**	(29,211)
		46,993	27,189

The financial statements on pages 22 to 52 were approved and authorised for issue by the board of directors on 24 March 2006 and are signed on its behalf by:

Cai Zuping
Director

Zhang Zheng
Director

Balance Sheet

At 31 December 2005

	NOTES	2005 HK$'000	(Restated) 2004 HK$'000
Non-current assets			
Property, plant and equipment	14	**96**	109
Interests in subsidiaries	17	**13,623**	17,048
		13,719	17,157
Current assets			
Other receivables, deposits and prepayments		**156**	184
Amount due from a related company		**25**	10
Cash and bank balances		**207**	55
		388	249
Current liabilities			
Amount due to ultimate holding company	21	**2,413**	2,464
Amount due to a related company		**–**	335
Accruals and other payables		**708**	758
		3,121	3,557
Net current liabilities		**(2,733)**	(3,308)
Total net assets		**10,986**	13,849
Capital and reserves			
Share capital	23	**56,400**	56,400
Reserves	24	**(45,414)**	(42,551)
		10,986	13,849

Cai Zuping
Director

Zhang Zheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Share capital	Share premium	Merger reserve *(Note (ii))*	Revaluation reserve	General reserve *(Note (i))*	Enterprise expansion fund *(Note (i))*	Exchange reserve	Special reserve *(Note(iii))*	Share-based Compensation reserve	Accumulated losses	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	56,400	26,993	(46,815)	1,783	5,922	50	(56)	–	–	(14,461)	4	29,820
Net loss for the year	–	–	–	–	–	–	–	–	–	(3,065)	91	(2,974)
Employee share option benefits	–	–	–	–	–	–	–	–	364	–	–	364
Reserves transferred upon disposal of land and buildings under long leases outside Hong Kong	–	–	–	(315)	–	–	–	–	–	315	–	–
Transfer to general reserve	–	–	–	–	884	–	–	–	–	(884)	–	–
Transfer to special reserve	–	–	–	–	–	–	–	15,936	–	(15,936)	–	–
Exchange differences	–	–	–	–	–	–	(21)	–	–	–	–	(21)
At 31 December 2004, as restated	56,400	26,993	(46,815)	1,468	6,806	50	(77)	15,936	364	(34,031)	95	27,189
At 1 January 2005	56,400	26,993	(46,815)	1,468	6,806	50	(77)	15,936	–	(33,667)	95	27,189
Adoption of HKFRS2	–	–	–	–	–	–	–	–	364	(364)	–	–
At 1 January 2005, as restated	56,400	26,993	(46,815)	1,468	6,806	50	(77)	15,936	364	(34,031)	95	27,189
Net profit for the year	–	–	–	–	–	–	–	–	–	10,151	(3,481)	6,670
Employee share option benefits	–	–	–	–	–	–	–	–	728	–	–	728
Shares of subsidiaries issued	–	–	–	–	–	–	–	–	–	–	11,702	11,702
Transfer from special reserve	–	–	–	–	–	–	–	(15,936)	–	15,936	–	–
Exchange differences	–	–	–	–	–	–	704	–	–	–	–	704
At 31 December 2005	**56,400**	**26,993**	**(46,815)**	**1,468**	**6,806**	**50**	**627**	**–**	**1,092**	**(7,944)**	**8,316**	**46,993**

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

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

(iii) Special reserve represents distributable profits of one of the subsidiaries of the Company for the year 2004 set aside for distribution to its shareholders. The corresponding dividend income was recognized by the intermediate holding company in the year 2005.

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005	(Restated) 2004
	HK$'000	HK$'000
Operating activities		
Profit (loss) before taxation	6,998	(2,928)
Adjustment for:		
Interest income	(100)	(51)
Interest expenses	405	312
Depreciation of fixed assets	2,477	1,531
Amortisation of intangible assets	140	–
Gain on disposal of property, plant and equipment	344	291
Gain on deemed disposal of interest in a subsidiary	(12,861)	–
Share-based option expenses	728	364
Provision for bad and doubtful debts	–	645
Provision for slow-moving inventories	–	930
Operating cash flow before movements in working capital	(1,869)	1,094
(Increase) decrease in inventories	(2,269)	680
Decrease (Increase) in trade receivables, prepayment, deposits and other receivables	3,882	(9,310)
Decrease in amounts due from related companies	1,474	14,060
(Decrease) increase in trade payables, accruals and other payables and deposits received	(3,640)	1,859
(Decrease) increase in amounts due to ultimate holding company	(50)	1,212
(Decrease) increase in amounts due to related companies	(1,015)	2,354
Cash (used in) generated from operations	(3,487)	11,949
Interest paid	(405)	(312)
Overseas tax refunded	82	(411)
Net cash (used in) generated from operating activities	(3,810)	11,226
Investing activities		
Payment of lease premium for land	(2,670)	–
Purchases of property, plant and equipment	(5,020)	(4,486)
Sales proceeds from disposal of property, plant and equipment	17	264
Interest received	100	51
Net cash used in investing activities	(7,573)	(4,171)
Financing activities		
New bank loans raised	1,429	4,673
Repayments of bank loans	(4,673)	(4,673)
Capital contributed by minority shareholders	23,000	–
Net cash generated from financing activities	19,756	–
Net increase in cash and cash equivalents	8,373	7,055
Effect of foreign exchanges rate changes	571	(21)
Cash and cash equivalents at beginning of year	10,323	3,289
Cash and cash equivalents at end of year	19,267	10,323
Analysis of cash and cash equivalents		
Pledged bank deposits	338	331
Cash and bank balances	18,929	9,992
	19,267	10,323

Notes to the Consolidated Financial Statements

For the year ended 31 December 2005

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange since 25 July 2000. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

HKICPA has converged all Hong Kong Financial Reporting Standards ("HKFRSs") with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board at 1 January 2005. As a result, the HKICPA has aligned HKFRSs with the requirements of IFRSs in all material respects.

In 2005, the Group has adopted all HKFRSs pertinent to its operations. The applicable HKFRSs are set out below and the 2004 accounts have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combination

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The accounting standards which have material effects on the Group are set out below:

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting period to the income statement. HKFRS 2 has been applied retrospectively for all equity instruments granted to employees after 7 November 2002 and not vested at 1 January 2005.

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land was previously carried at cost less accumulated depreciation and accumulated impairment losses. In accordance with the provisions of HKAS 17, leasehold land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease. HKAS 17 has been applied retrospectively.

The effect of adopting HKAS 17 and HKFRS 2 on the consolidated income statement for the periods ended 31 December 2005 and 31 December 2004 and on the consolidated balance sheet as at 31 December 2005 and 31 December 2004 are shown below:

Effect of adopting HKAS 17 and HKFRS 2 on consolidated income statement:

	Year ended 31 December 2005		Year ended 31 December 2004	
	HKAS 17	**HKFRS 2**	HKAS 17	HKFRS 2
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase in administrative expenses	**–**	**(728)**	–	(364)
Total decrease in profit (2004: increase in loss)	**–**	**728**	–	364
	HK cents	**HK cents**	HK cents	HK cents
Decrease in basic earnings (2004: increase in loss) per share	**–**	**0.12**	–	0.04

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Effect of adopting HKAS 17 and HKFRS 2 on consolidated balance sheet:

	31 December 2005		31 December 2004	
	HKAS 17	**HKFRS 2**	HKAS 17	HKFRS 2
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase (decrease) in assets				
Property, plant and machinery	**(2,621)**	**–**	–	–
Lease premium for land (current and non-current)	**2,621**	**–**	–	–
Increase (decrease) in liabilities/equity				
Employee share-based compensation reserve	**–**	**1,092**	–	364
Accumulated losses	**–**	**(1,092)**	–	(364)

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies except certain presentation and disclosure of the accounts would be affected.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold buildings, 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 ("HKICPA").

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between Group companies are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less depreciation and accumulated impairment losses.

Leasehold buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold buildings	5%
Leasehold improvements	33% to 50%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Lease premiums for land

Lease premiums for land are up-front payments to acquire long-term interests in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identified and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognised as assets and amortised on a straight-line basis over a period of not more than five years to reflect the pattern in which the related economic benefits are recognised. During the year, all research and development costs are expensed in the income statement.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that is probable the taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits

(i) Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Employees' share options

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when a present legal or constructive obligation has arisen as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from the provision of technical services is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Refund of value added tax is recognised on receipt of government approval of refund.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Government grants

A government grant is recognised, when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

4. TURNOVER AND REVENUE

The Group is principally engaged in sales of radio trunking systems integration, provision of telemedia-related services and other value-added telecommunication-related technical services, and sales of automobile global positioning systems. Revenue recognised is as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Provision of telemedia-related and other value-added telecommunication related technical services	**6,535**	4,367
Sales of radio trunking systems integration	**21,436**	24,939
	27,971	29,306
Other revenue		
Interest income	**100**	51
Government grant	**752**	327
Refund of value added tax	**1,685**	1,727
Others	**147**	230
	2,684	2,335
Total revenue	**30,655**	31,641

5. SEGMENT INFORMATION

The Group's business segment comprises radio trunking systems integration, telemedia-related and other value-added telecommunication – related technical services, and automobile global positioning systems.

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.

	Sales of radio trunking systems integration		Provision of telemedia-related and other value-added telecommunication -related technical services		Sales of automobile global positioning system		Others		Total	
										(Restated)
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER										
Revenue	**21,436**	24,939	**6,535**	4,367	**–**	–	**–**	–	**27,971**	29,306
RESULTS										
Segment results	**3,181**	2,749	**2,411**	455	**(6,997)**	–	**–**	(3,036)	**(1,405)**	168
Other revenue									**2,684**	2,335
Unallocated corporate expenses									**(6,737)**	(5,119)
Loss from operations									**(5,458)**	(2,616)
Gain on deemed disposal of interest in a subsidiary									**12,861**	–
Finance costs									**(405)**	(312)
Profit (loss) before taxation									**6,998**	(2,928)
Taxation									**(328)**	(46)
Net profit (loss) for the year									**6,670**	(2,974)
Segment assets	**41,208**	44,481	**2,253**	2,510	**18,352**	–	**–**	4,282	**61,813**	51,273
Unallocated assets									**4,000**	2,410
Total assets									**65,813**	53,683
Segment liabilities	**11,369**	16,094	**436**	648	**287**	–	**–**	1,588	**12,092**	18,330
Unallocated liabilities									**6,728**	8,164
Total liabilities									**18,820**	26,494

6. LOSS FROM OPERATIONS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Auditor's remuneration	**510**	380
Cost of goods sold	**6,892**	8,924
Depreciation of property, plant and equipment	**2,477**	1,531
Loss on disposal of property, plant and equipment	**346**	291
Operating lease payments in respect of rented premises	**2,392**	1,403
Allowance for bad and doubtful debts	**–**	645
Provision for slow-moving inventories	**–**	930
Research and development costs	**1,762**	1,605
Staff costs, excluding directors' remuneration *(Note 12)*	**13,246**	11,204

7. FINANCE COSTS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Interest on secured bank loan (wholly repayable within five years)	**212**	86
Interest on loan from a related company	**193**	114
Interest for discounted bills	**–**	112
	405	312

8. TAXATION

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax *(Note (i))*	**–**	–
Overseas taxation:		
Under (over) provision in previous year	**48**	(168)
Current year *(Note (ii))*	**280**	214
	328	46

Note:

(i) No provision for Hong Kong profits tax is required as the Group has no assessable profit for the year (2004: HK$Nil)

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

(a) The taxation on the Group's profit (loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Profit (loss) before taxation	**6,998**	(2,928)
Tax at the applicable tax rate of 17.5% (2004:17.5%)	**1,225**	(512)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(890)**	(215)
Income of subsidiaries under tax exemption and reduction	**–**	(548)
Tax effect of expenses that are not deductible in determining taxable profit	**1,077**	948
Tax effect on temporary differences not recognised	**7**	–
Tax effect of income that are not taxable in determining taxable profit	**(2,243)**	(176)
Tax effect of utilization of tax losses not previously recognised	**–**	(604)
Tax effect of unused tax losses not recorgnised	**1,104**	1,321
Under (over) -provision of taxation	**48**	(168)
Taxation charges	**328**	46

(b) No provision for deferred taxation has been made in the financial statements as the tax effect of the temporary difference is immaterial to the Group.

Deferred tax assets are not recognised for tax losses carried forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The Group has unrecognised tax losses of approximately HK$21,968,000 (2004: HK$40,071,000).

9. NET PROFIT (LOSS) FOR THE YEAR

The net loss for the year includes a loss of approximately HK$3,591,000 (2004: HK$6,357,000 as restated) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2004: HK$Nil).

11. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings (loss) per share is calculated by dividing the net profit (loss) attributable to shareholders by the number of ordinary shares in issue during the year.

	2005	2004
	HK$'000	*HK$'000*
Profit (loss) attributable to shareholders	**10,151**	(3,065)

	Number of shares	
	2005	2004
Number of ordinary shares in issue during the year	**564,000,000**	564,000,000

No diluted loss per share has been presented because the exercise price of the Company's options were higher than the average market price of the Shares for the year 2005.

12. STAFF COSTS EXCLUDING DIRECTORS' REMUNERATION

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Salaries and wages	**10,307**	8,504
Staff welfare benefits	**1,923**	2,101
Retirement benefits scheme contributions	**1,016**	599
	13,246	11,204

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each of the 11 (2004: 8) directors were as follows:

THE GROUP	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	**2005 Total emoluments**	2004 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Executive Directors					
Mr. Cai Zuping *(Chairman)*	–	490	12	**502**	432
Mr. Wu Yangang	–	–	–	**–**	–
Mr. Li Chaobin	–	–	–	**–**	–
Mr. Zhang Zheng	–	405	12	**417**	502
Mr. Sun Guiping	–	–	–	**–**	–
Mr. Su Hongjin	–	–	–	**–**	–
Non-executive Director					
Mr. Chen Kang	–	–	–	**–**	–
Independent Non-executive Directors					
Mr. Jin Ge	35	–	–	**35**	–
Mr. Wong Ping Wong	15	–	–	**15**	60
Mr. Pan Boxin	60	–	–	**60**	60
Mr. Sik Siu Kwan	60	–	–	**60**	20
Total	170	895	24	**1,089**	1,074

The number of directors whose remuneration fell within the following band is as follows:

	2005	2004
HK$Nil to HK$1,000,000	**11**	8

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join the Group or as compensation for loss of office.

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 December 2005 and 2004.

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (continued)

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year included two (2004: two) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining three (2004: three) individuals during the year are as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**1,936**	695
Retirement benefits scheme contributions	**71**	23
	2,007	718

The number of the highest paid individuals whose remuneration fell within the following band is as follows:

	2005	2004
HK$Nil to HK$1,000,000	**3**	3

During the year, no remuneration (2004: HK$Nil) was paid by the Group to any of the highest paid individuals as an inducement to join the Group or as compensation for loss of office.

14. PROPERTY, PLANT AND EQUIPMENT

	Property under development	Land and buildings under long leases outside Hong Kong	Leasehold Improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP								
Cost or valuation								
At 1 January 2005	–	1,971	1,558	1,395	4,674	5,618	925	16,141
Additions	139	–	956	40	756	1,770	1,359	5,020
Disposals	–	–	(479)	–	(114)	(382)	–	(975)
Exchange rate adjustment	–	38	26	26	83	98	17	288
At 31 December 2005	139	2,009	2,061	1,461	5,399	7,104	2,301	20,474
Depreciation and impairment								
At 1 January 2005	–	96	1,057	895	3,436	2,592	561	8,637
Charge for the year	–	101	211	137	651	1,008	369	2,477
Disposals	–	–	(479)	–	(84)	(51)	–	(614)
Exchange rate adjustment	–	2	17	17	65	38	11	150
At 31 December 2005	–	199	806	1,049	4,068	3,587	941	10,650
Net Book Value								
At 31 December 2005	**139**	**1,810**	**1,255**	**412**	**1,331**	**3,517**	**1,360**	**9,824**
At 31 December 2004	–	1,875	501	500	1,238	3,026	364	7,504

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost or valuation of the above assets at 31 December 2005 is as follows:

	Property under development HK$'000	Land and buildings under long leases outside Hong Kong HK$'000	Leasehold Improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	139	–	2,061	1,461	5,399	7,104	2,301	18,465
At valuation	–	2,009	–	–	–	–	–	2,009
	139	2,009	2,061	1,461	5,399	7,104	2,301	20,474

THE COMPANY	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Computer Equipment HK$'000	Total HK$'000
Cost				
At 1 January 2005	179	181	376	736
Additions	28	18	15	61
Disposal	(179)	–	–	(179)
At 31 December 2005	**28**	**199**	**391**	**618**
Depreciation and impairment				
At 1 January 2005	179	149	299	627
Charge for the year	14	35	25	74
Written off upon disposal	(179)	–	–	(179)
At 31 December 2005	**14**	**184**	**324**	**522**
Net Book Value				
At 31 December 2005	**14**	**15**	**67**	**96**
At 31 December 2004	–	32	77	109

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group's land and buildings under long teases outside Hong Kong were revalued at 31 December 2003 on the basis of open market value in existing use by Sallmanns (Far East) Limited, an independent firm of professional valuers. The surplus arising on revaluation has been credited to the revaluation reserve account.

(b) The carrying amount of the Group's land and buildings under long leases outside Hong Kong would have been approximately HK$346,000 (2004: HK$389,000) had it been stated at cost less accumulated depreciation.

(c) At 31 December 2005, the net book value of the Group's land and building under long leases outside Hong Kong pledged as security for banking facilities amounted to approximately HK$1,284,000 (2004: HK$1,356,000) *(Note 26)*.

15. INTANGIBLE ASSETS

THE GROUP	*HK$'000*
COST	
At 1 January 2005	–
Additions	1,558
At 31 December 2005	**1,558**
AMORTISATION AND IMPAIRMENT	
At 1 January 2005	–
Charge for the year	91
At 31 December 2005	**91**
Net Book Values	
At 31 December 2005	**1,467**
At 31 December 2004	–

Intangible assets represent the consideration to obtain the patent right of using automobile global positioning system.

16. LEASE PREMIUM FOR LAND

THE GROUP	*HK$'000*
COST	
Addition	2,670
As at 31 December 2005	**2,670**
Accumulated amortisation	
Amortisation for the year	49
As at 31 December 2005	**49**
Net book value as at 31 December 2005	**2,621**
Non-current portion	2,568
Current portion of intangible assets	53
	2,621

The leasehold land is held under medium-term lease and situated in PRC.

17. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	**48,600**	48,600
Impairment losses	**(25,000)**	(25,000)
Amounts due from subsidiaries *(Note (b))*	**23**	19
Amounts due to subsidiaries *(Note (b))*	**(10,000)**	(6,571)
	13,623	17,048

17. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of the Company's subsidiaries at 31 December 2005 are as follow:

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Directly held:				
Neolink Communications Technology (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom Information (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom Internet (BVI) Limited	British Virgin Islands	Ordinary US$83,333	60%	Investment holding
Neolink Wireless Technology Limited	Hong Kong	Ordinary HK$1,000,000	100%	Inactive
China Gocom (Holdings) Limited	Hong Kong	Ordinary HK$1,000.000	100%	Inactive
Indirectly held:				
Neolink Communications Technology Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding and marketing of radio trunking systems
China Gocom Information Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
China Carbase Technology Limited	Hong Kong	Ordinary HK$10,000	60%	Investment holding
Beijing Neolink Information Technology Company Limited	The PRC	Registered US$300,000	100%	Trading of products relating to telemedia system and provision of relevant and related technical services
Beijing Carbase Technology Company Limited	The PRC	Registered US$300,000	60%	Development of information system
Hangzhou Neolink Communication Equipment Company Limited	The PRC	Registered US$290,000	80%	Design, production and sale of radio trunking systems
Neolink Electronic Technology (Beijing) Company Limited	The PRC	Registered US$200,000	100%	Marketing of radio trunking systems

17. INVESTMENT IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Neolink Huadian Electronic Technology (Shenzhen) Company Limited	The PRC	Registered US$500,000	100%	Sales of radio trunking systems, related hardware and software
Neolink Communications Technology (Hangzhou) Limited	The PRC	Registered HK$33,500,000	100%	Development of telecommunication software and provision of related technical services
Neolink Broadway Intelligent Transportation Information Technology (Shanghai) Limited	The PRC	Registered US$600,000	67%	Development and sales of intelligent transportation related hardware and software
Hangzhou Neolink Software Technology Company Limited	The PRC	Registered HK$1,500,000	100%	Development and sales of radio trunking systems related software
Carbase Information Technology (Beijing) Company Limited	The PRC	Registered HK$7,000,000	60%	Development of information system

(b) Amounts due from/to subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

18. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**6,071**	3,104
Work in progress	**509**	750
Finished goods	**2,115**	2,572
Less: Provision	**(1,767)**	(1,767)
	6,928	4,659

Inventories of the Group were carried at net realisable value (2004: HK$930).

19. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
0 to 30 days	**3,197**	8,580
31 to 60 days	**2,219**	2,031
61 to 90 days	**494**	160
91 to 120 days	**534**	3,986
Over 120 days	**9,963**	5,811
	16,407	20,568

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.

20. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
0 to 30 days	**504**	3,153
31 to 60 days	**–**	51
61 to 90 days	**281**	57
91 to 120 days	**–**	641
Over 120 days	**1,069**	2,398
	1,854	6,300

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

22. SECURED BANK LOAN

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Wholly repayable within one year	**1,429**	4,673

The bank loan is interest-bearing at prevailing market rates and are guaranteed by the corporate guarantee provided by a related company of the Company and secured by the pledge of the Group's certain buildings outside Hong Kong *(Note 26)*.

23. SHARE CAPITAL

	2005		2004	
	Number of shares	**Nominal Value**	Number of shares	Nominal value
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1 January and 31 December	**564,000,000**	**56,400**	564,000,000	56,400

24. RESERVES

THE COMPANY	Share premium *Note (i)* *HK$'000*	Share-based Compensation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2004	26,993	–	(63,551)	(36,558)
Employee share option benefit	–	364	–	364
Net Loss for the year	–	–	(6,357)	(6,357)
At 31 December 2004, as restated	26,993	364	(69,908)	(42,551)
At 1 January 2005	26,993	–	(69,544)	(42,551)
Adoption of HKFRS 2	–	364	(364)	–
At 1 January 2005, as restated	26,993	364	(69,908)	(42,551)
Employee share option benefit	–	728	–	728
Net Loss for the year	–	–	(3,591)	(3,591)
At December 2005	**26,993**	**1,092**	**(73,499)**	**(45,414)**

(i) 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.

25. SHARE OPTIONS

(a) Pursuant to the share option scheme (the "Scheme") adopted by the Company on 17 April 2003, the board of directors may, at their discretion, grant options to the directors, any employee, any consultant or adviser of the Company or to any company in the Group or any invested entity and any supplier of goods or services to any member of the Group or any invested entity, any person or entity that provides research, development or other technological support to the Group or any invested entity, and any company wholly-owned by one or more persons belonging to any of the above classes to which the options are granted (collectively referred as to "Eligible Persons") to subscribe for shares of the Company.

The subscription price will be determined by the board and will be no less than the highest of:

i. the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option. which must be a business day; and

ii. the average closing price of the shares of the Company, as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option, and

iii. the nominal value of the shares.

25. SHARE OPTIONS (continued)

A nominal consideration at HK$1 should be paid by Eligible Persons for each offer of share option granted.

Unless approved by the shareholders of the Company in general meeting, the total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any Eligible Person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the option to such Eligible Person shall not exceed 1% of the issued share capital of the Company.

Subject to certain conditions, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme in force from time to time must not in aggregate exceed 30% of the shares in issue from time to time. No option may be granted under the Scheme and any other scheme of the Company (or its subsidiaries) if such grant will result in the aforesaid 30% limit being exceeded.

Eligible Persons may exercise the options, in whole or in part, at any time during the period commencing from after the first anniversary of the date of grant of the option to the expiry date of the exercise period.

The Scheme become effective for a period of 10 years which were commenced from its date of adoption on 17 April 2003.

(b) During the year, no share options (2004: 27,150,000) were granted to certain employees of the Group. Movements of share options granted under the Scheme during the year are as follows:

Date of grant	Exercise period	Exercise price per share	Closing price before the date of grant	Number of share options outstanding at 1 Jan 2005	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 Dec 2005
24 June 2004	24 June 2005 – 23 June 2008	0.20	0.17	27,150,000	–	–	–	27,150,000

26. BANKING FACILITIES

At 31 December 2005, the Group's banking facilities of approximately HK$11,429,000 (31 December 2004: HK$7,477,000) are guaranteed by the corporate guarantee provided by Haoyuan Yingte, a related company of the Company, and secured by the pledge of the Group's certain buildings outside Hong Kong (Note 14).

27. LEASE COMMITMENTS

At 31 December 2005, the capital commitment and minimum lease payments under non-cancellable operating leases for the land and buildings are payable as follows:

THE GROUP	**2005** ***HK$'000***	2004 *HK$'000*
(a) Operating lease commitments in respect of land and buildings which fall due as follows:		
Within one year	**1,656**	1,738
In more than one year but not exceeding five years	**1,424**	2,509
	3,080	4,247

28. RETIREMENT BENEFIT COSTS

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme (i.e. 5% of staff's relevant income with upper monthly limit of HK$1,000). The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations. (i.e. 8% – 23% of the basic salary).

The only obligation of the Group in respect of the retirement benefit schemes is to make the required contributions under the respective schemes.

The total cost charged to the consolidated income statement of approximately HK$997,000 (2004: HK$623,000) represents contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year ended 31 December 2005 at rates specified in the rules of the relevant schemes at 31 December 2005, contributions due in respect of the current reporting year had not been paid over the relevant schemes was approximately HK$Nil (2004: HK$3,000).

29. RELATED PARTY TRANSACTIONS

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

		THE GROUP	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Sales of equipment, monitor systems and provision of technical services to			
– Baotong	(i)	**–**	685
– Haoyuan Yingte	(i)	**6,535**	4,330
Loan interest paid to Shenzhen Communication	(ii)	**193**	114
Consultancy fee paid to Qing Jiang HK	(iii)	**–**	180
Office administrative services income received from			
– Qing Jiang HK	(iii)	**5**	10
– Harbour Smart	(iii)	**20**	10

(b) During the year the Group borrowed loan of approximately HK$3,210,000 (2004: HK$3,738,000) 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. The interest paid or payable to Shenzhen Communication for the year amounted to approximately HK$200,000.

Note:

(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 Zupnig, 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 beneficiary shareholder of the ultimate holding company of the Company, is a beneficiary shareholder of Qing Jiang HK and Harbour Smart.

30. ULTIMATE HOLDING COMPANY

The directors regard, Infonet Group Co., Ltd., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

Financial Summary

For the year ended 31 December

	2005	(Restated) 2004	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**27,971**	29,306	49,637	29,669	31,893
Profit (Loss) from operations	**(5,458)**	(2,616)	9,625	(2,574)	(15,539)
Gain on deemed disposal of interest in a subsidiary	**12,861**	–	–	–	–
Finance costs	**(405)**	(312)	(302)	(132)	(216)
Profit (loss) before taxation	**6,998**	(2,928)	9,323	(2,706)	(15,755)
Taxation	**(328)**	(46)	(408)	–	(226)
Net profit (loss) for the year	**6,670**	(2,974)	8,915	(2,706)	(15,981)
Profit (loss) attributable to shareholders	**10,151**	(3,065)	8,869	(2,527)	(16,118)
(Loss) profit attributable to Minority interests	**(3,481)**	91	46	(179)	137
Profit (loss) for the year	**6,670**	(2,974)	8,915	(2,706)	(15,981)
Assets and liabilities					
Total assets	**65,813**	53,683	51,119	36,104	53,309
Total liabilities	**(18,820)**	(26,494)	(21,299)	(16,698)	(17,196)
Minority interests	**(8,316)**	(95)	(4)	42	(137)
Shareholders' funds	**38,677**	27,094	29,816	19,448	35,976