Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8116)

Half-Year Report 2006

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

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The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2006, together with the unaudited comparative figures for the corresponding period in 2005, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2006

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**6,627**	7,754	**10,997**	11,467
Cost of sales		**(1,546)**	(2,741)	**(2,615)**	(4,124)
Gross profit		**5,081**	5,013	**8,382**	7,343
Other revenues	2	**601**	581	**660**	854
Distribution costs		**(1,248)**	(779)	**(2,530)**	(1,696)
Administrative expenses		**(11,482)**	(4,880)	**(18,321)**	(9,240)
(Loss)/profit from operations	4	**(7,048)**	(65)	**(11,809)**	(2,739)
Gain from deemed disposal of interest in a subsidiary		**–**	–	**–**	12,861
Finance costs		**(135)**	(50)	**(191)**	(138)
(Loss)/profit before taxation		**(7,183)**	(115)	**(12,000)**	9,984
Taxation	5	**(218)**	(148)	**(224)**	(153)
Net (loss)/profit for the period		**(7,401)**	(263)	**(12,224)**	9,831
(Loss)/profit attributable to shareholders		**(6,284)**	492	**(9,824)**	10,986
Minority interest		**(1,117)**	(755)	**(2,400)**	(1,155)
		(7,401)	(263)	**(12,224)**	9,831
Dividends		**–**	–	**–**	–
(Loss)/earnings per share – Basic	6	**(1.11 HK cent)**	0.09 HK cent	**(1.74 HK cent)**	1.95 HK cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Notes	(Unaudited) As at 30 June 2006 HK$'000	(Audited) As at 31 December 2005 HK$'000
Non-current assets			
Property, plant and equipment	7	**6,402**	9,824
Intangible assets	8	**1,403**	1,467
Lease premium for land	9	**2,541**	2,568
		10,346	13,859
Current assets			
Current portion of lease premium for land		**53**	53
Inventories		**10,437**	6,928
Trade receivables	10	**14,856**	16,407
Prepayments, deposits and other receivables		**6,101**	5,028
Amounts due from related companies		**4,768**	4,271
Pledged bank deposits		**–**	338
Bank and cash balances		**10,022**	18,929
		46,237	51,954

	Notes	(Unaudited) As at 30 June 2006 HK$'000	(Audited) As at 31 December 2005 HK$'000
Current liabilities			
Trade payables	11	**2,700**	1,854
Accruals and other payables		**7,459**	9,133
Deposit received		**400**	397
Amount due to ultimate holding company		**2,461**	2,461
Amounts due to related companies		**7,779**	3,271
Taxation payable		**218**	275
Secured bank loan	12	**–**	1,429
		21,017	18,820
Net current assets		**25,220**	33,134
NET ASSETS		**35,566**	46,993
CAPITAL AND RESERVES			
Share capital	13	**56,400**	56,400
Reserves		**(20,834)**	(9,407)
SHAREHOLDERS' FUNDS		**35,566**	46,993

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	(Unaudited) Six month ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(6,980)**	(1,344)
Net cash (outflow)/inflow from investing activities	**(1,269)**	18,618
Net cash outflow from financing activities	**(1,429)**	(4,673)
(Decrease)/increase in cash and cash equivalents	**(9,678)**	12,601
Effect of foreign exchange rate changes	**433**	(123)
Cash and cash equivalents at beginning of period	**19,267**	10,323
Cash and cash equivalents at end of period	**10,022**	22,801
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	**10,022**	22,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

Unaudited

	Share capital HK$'000	Share premium HK$'000	Merger Reserve HK$'000 (Note (ii))	Revaluation reserve HK$'000	General Reserve HK$'000 (Note (i))	Enterprise Expansion Fund HK$'000 (Note (i))	Exchange reserve HK$'000	Special reserve HK$'000 (Note (iii))	Share-based compensation reserve HK$'000	Accumulated Losses HK$'000	Minority interest total HK$'000	Total HK$'000
Six months ended 30 June 2005												
At 1 January 2005	56,400	26,993	(46,815)	1,468	6,806	50	(77)	15,936	145	(33,812)	95	27,189
Exchange differences	–	–	–	–	–	–	(123)	–	–	–	–	(123)
Employee share option benefits	–	–	–	–	–	–	–	–	145	–	–	145
Share of subsidiary issued	–	–	–	–	–	–	–	–	–	–	11,669	11,669
Profit for the period	–	–	–	–	–	–	–	–	–	10,986	(1,155)	9,831
At 30 June 2005	56,400	26,993	(46,815)	1,468	6,806	50	(200)	15,936	290	(22,826)	10,609	48,711
Six months ended 30 June 2006												
At 1 January 2006	56,400	26,993	(46,815)	1,468	6,806	50	627	–	1,092	(7,944)	8,316	46,993
Exchange differences	–	–	–	–	–	–	433	–	–	–	–	433
Employee Share option benefits	–	–	–	–	–	–	–	–	364	–	–	364
Loss for the period	–	–	–	–	–	–	–	–	–	(9,824)	(2,400)	(12,224)
At 30 June 2006	56,400	26,993	(46,815)	1,468	6,806	50	1,060	–	1,456	(17,768)	5,916	35,566

Notes:

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

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

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

NOTES:

1. Basis of preparation

The unaudited condensed consolidated accounts 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").

The accounting policies and methods of computation adopted in the preparation of those unaudited consolidated accounts are consistent with those set out in the annual financial statements for the year ended 31 December 2005.

2. Turnover and revenues

The Group is principally engaged in radio trunking systems integration and provision of telemedia-related services. Revenues recognized are as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Technical service income				
Telemedia-related services	**–**	905	**552**	1,971
Provision of vehicle telematics information services	**43**	–	**43**	–
Sales of goods				
Radio trunking systems integration	**6,584**	6,849	**10,402**	9,496
	6,627	7,754	**10,997**	11,467
Other revenues				
Interest income	**49**	36	**105**	39
Others	**552**	545	**555**	815
	601	581	**660**	854
Gain from deemed disposal of interest in a subsidiary	**–**	–	**–**	12,861
Total revenues	**7,228**	8,335	**11,657**	25,182

3. Segment information

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

	Turnover			
	Three months ended 30 June		**Six months ended 30 June**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue				
Telemedia-related services	**–**	905	**552**	1,971
Provision of vehicle telematics information services	**43**	–	**43**	–
Radio trunking systems integration	**6,584**	6,849	**10,402**	9,496
Total turnover for the period	**6,627**	7,754	**10,997**	11,467

	Profit from operations			
	Three months ended 30 June		**Six months ended 30 June**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment result				
Telemedia-related services	**(340)**	61	**(479)**	231
Provision of vehicle telematics information services	**(7,951)**	(1,309)	**(10,973)**	(2,335)
Radio trunking systems integration	**2,249**	2,127	**2,040**	1,605
	(6,042)	879	**(9,412)**	(499)
Other revenues	**601**	581	**660**	854
Unallocated corporate expenses	**(1,607)**	(1,525)	**(3,057)**	(3,094)
Profit from operations for the period	**(7,048)**	(65)	**(11,809)**	(2,739)

4. (Loss)/profit from operations

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

	Three months ended 30 June		Six months ended 30 June	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Charging				
Cost of goods sold	**1,546**	2,741	**2,615**	4,124
Amortisation of lease premium for land	**13**	22	**27**	22
Depreciation of property, plant and equipment	**833**	516	**1,419**	804
Loss on disposal of property, plant and equipment	**–**	–	**–**	4
Operating lease rental in respect of:				
– land and building	**623**	623	**1,246**	1,059
– motor vehicles	**30**	–	**47**	–
Impairment of property, plant and equipment	**3,272**	–	**3,272**	–
Provision for slow-moving inventories	**2,025**	–	**2,025**	–
Research and development costs	**1,841**	1,688	**3,820**	3,259
Staff costs, including directors' emoluments	**4,068**	2,810	**8,970**	5,788

5. Taxation

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

		Three months ended 30 June		Six months ended 30 June	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	*(i)*	**–**	–	**–**	–
Overseas taxation	*(ii)*	**218**	148	**224**	153
		218	148	**224**	153

(i) No provision for Hong Kong profits tax has been made as the Group has no assessable profits for the relevant periods.

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

6. (Loss)/Earnings per share

The calculation of the basic loss per share for the three months and six months ended 30 June 2006 is based on the unaudited consolidated loss of approximately HK$6,284,000 and HK$9,824,000 attributable to shareholders of the Company (2005: profit of HK$492,000 and HK$10,986,000) and on the weighted average number of 564,000,000 and 564,000,000 (2005: 564,000,000 and 564,000,000) shares in issue for the three months and six months ended 30 June 2006 and 2005.

No diluted (loss) earnings per share for the period ended 30 June 2006, 2005 is presented because the exercise price of the Company's options was higher than the average market price of the shares.

7. Property, plant and equipment

	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
Net book value, beginning of period/year	**9,824**	7,504
Additions	**1,269**	5,020
Disposals	**–**	(361)
Depreciation	**(1,419)**	(2,477)
Impairment	**(3,272)**	–
Exchange rate adjustment	**–**	138
Net book value, end of period/year	**6,402**	9,824

8. Intangible assets

	The Group	
	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
Intellectual vehicle navigation system	**1,403**	1,467

9. Lease premium for land

	The Group	
	30 June 2006	31 December 2005
	HK$'000	*HK$'000*
Net book value at 1 January	**2,621**	–
Addition	**–**	2,670
	2,621	2,670
Amortisation for the period	**(27)**	(49)
Net book value at 30 June	**2,594**	2,621
Current portion of lease premium for land	**(53)**	(53)
Non-current portion	**2,541**	2,568

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

10. Trade receivables

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

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2006	**5,215**	**220**	**118**	**3,696**	**5,607**	**14,856**
As at 31 December 2005	3,197	2,219	494	534	9,963	16,407

11. Trade payables

The ageing analysis of trade payables of the Group is as follows:

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2006	**230**	**–**	**1,210**	**–**	**1,260**	**2,700**
As at 31 December 2005	504	–	281	–	1,069	1,854

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

12. Secured bank loan

	The Group	
	30 June 2006	31 December 2005
	HK$'000	*HK$'000*
Wholly repayable within one year	**–**	1,429

The bank loans are interest bearing at prevailing market rates, are denominated in Renminbi ("RMB"), and are secured by a legal charge on certain buildings under medium leases outside Hong Kong with net book value of approximately HK$1,280,000 (2005: HK$1,971,000) and corporate guarantee by a related company.

13. Share capital

	The Company			
	30 June 2006		31 December 2005	
	Number of shares	**Nominal Value**	Number of shares	Nominal Value
		HK$		*HK$*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000,000**	1,000,000,000	100,000,000
Issued and fully paid:				
Beginning of period/year	**564,000,000**	**56,400,000**	564,000,000	56,400,000
End of period/year	**564,000,000**	**56,400,000**	564,000,000	56,400,000

14. Related party transactions

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

		The Group	
		Six months ended 30 June	Six months ended 30 June
		2006	2005
	Note	***HK$'000***	*HK$'000*
Sales of equipment, monitor systems and provision of technical services to			
– Haoyuan Yingte	*(i)*	**552**	1,971
Loan interest paid to Shenzhen Communication	*(ii)*	**91**	92
Office administrative services income received from			
– Qing Jiang HK	*(iii)*	**5**	5
– Harbour Smart	*(iii)*	**5**	5

(b) During the period the Group borrowed loan of approximately HK$2,760,000 (2005: HK$3,150,000) from Shenzhen Communication *(Note (ii))*. The loan is unsecured, interest-bearing at approximately 6.13% (2005: 6.13%) per annum and is repayable within twelve months.

Notes:

(i) Hangzhou Neolink Communication System Company Limited and Haoyuan Yingte are indirectly owned by a relative of Mr. Cai Zuping, a director of the Company.

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

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

(c) During the period, the Group borrowed loan of approximately HK$3.8 million and HK$1.2 million from Hangzhou Neolink Communication System Company Limited *(Note i)* and Haoyuan Yingte *(Note ii)* respectively. The borrowings are unsecured, interest-free, and no fixed terms of repayment.

15. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2006, the unaudited consolidated turnover of Group was approximately HK$10.9 million, representing an decrease of approximately 4% as compared with the corresponding period in 2005. The unaudited loss attributable to shareholders for the six months ended 30 June 2006 amounted to approximately HK$9.8 million. In last year, agreement with Pem-America Inc. to dispose 40% equity interests of a subsidiary, China Gocom Internet (BVI) Limited ("China Gocom") for HK$23 million. A gain from the deemed disposal of the Group's interest in China Gocom of approximately HK$12 million, which is estimated based on the difference between the Group's interest in the China Gocom group before and after the deemed disposal. Except from a gain from deemed disposal, the unaudited loss attributable to shareholders amounted to approximately 1.8 million.

The business of radio trunking system integration recorded 10.4 million sales, the turnover was improved by HK$1 million and 10% as compared to same period in last year and the result of this business was slightly increase to 2 million. The improvement of business was mainly attributable to increase in delivery orders from government procurement bodies during the first half year.

During the period ended 30 June 2006, the Group was informed the Haoyuan Yingte will, due to the change in market condition and technology advancement, cease to engage the Group for provision of technical service from 2006 onwards. Thus, the group recorded short period of turnover of HK$0.5 million for the first half year in 2006 and the turnover of provision of telemedia-related and other value-added telecommunication-related services decreased by HK$1.4 million and 72% as compared to first half year in 2005. Besides, the group keeps cost control to appropriate size in coming period due to cease the business with Haoyuan Yingte.

The business of Carbase Projects was incurring 10.9 million loss for the half year. The cost of employment of additional staff for research and development activities and promotion activities was HK$5.6 million. In addition, the Group starts to test the market for acceptance of Carbase services, as the market is increasing uncertainty for this Carbase Projects. Therefore, the Group provides 2 millions provision for slow-moving inventories and 3.3 million impairment for fixed assets to reflect to appropriate level of value to the Group assets. These activities increased distribution costs and administrative expenses by HK0.8 million and HK9 million respectively.

Meanwhile, management keeps aware of cost control for the development of Carbase Project in order to achieve better cost control of the Group.

BUSINESS REVIEW AND OUTLOOK

RADIO TRUNKING SYSTEMS INTEGRATION

For the three months and six months ended 30 June 2006, the radio trunking business of the Group achieved turnovers of HK$6,584,000 and HK$10,402,000 respectively, representing a decreased of 4% and increase of 10% as compared to the same period in the previous year. The decrease in the second quarter is mainly due to the deferred shipment of part of the government procurement orders. With the increase in government procurement orders for the first quarter this year, turnover of the first six months is expected to show an upward trend as comparing to the same period of last year.

For the six months ended 30 June 2006, the radio trunking business of the Group received orders, which are expected to be executed this year, with an aggregate value of approximately HK$38,670,000, representing an increase of approximately 105% as compared with HK$18,862,000 in the same period last year. The main reason for the increase is that the government bodies increased their orders significantly and a good progress is also made on the Group's new market expansion.

After continuous review of past business and modification of its direction, the Group is having clearer picture of the development direction of radio trunking business. The Group not only stabilizes its presence in the existing market, but it is also active in developing sales in a wide variety of user markets in public security, border defense, logistics and municipal contingency co-action unit, and overseas markets. With technological advancement and expansion of target markets, the impact caused by fluctuation of any single user market to the Group's results is lowered and a stable growth of the Group's results is achieved.

The successful development and implementation of Region Switch Center, which provides multi-users networking solutions, is formally certified by the government bodies for procurement in June 2006. The suppliers are now under negotiations and it is expected that the first orders will be made by the end of 2006.

The Group is committed in research and development of digital trunking systems and terminals. The existing plan of integrating digital trunking products of Neolink brand is sustained this year by independent development coupled with OEM-integration and other methods. The repositioning of the Company from a system integration manufacturer to product provider is realized in new technological areas, thus helping to share the vast market and opportunity brought by technological advancement.

Design and planning for the piece of land acquired by the Group in Hangzhou is already approved by the government. Construction works on the land have been commenced in the second quarter of the year, which are expected to be completed by 2006 and put into operation in 2007.

PROVISION OF TELECOM-RELATED SERVICES AND OTHER VALUE-ADDED TELECOMMUNICATION-RELATED TECHNICAL SERVICES

After negotiation with Haoyuan Yingte during the first quarter of 2006, the Group was informed by Haoyuan Yingte that, due to the change in market conditions and technological advancement, it ceased to engage the Group for the provision of technical services from February this year. In addition, in order for the Group to concentrate its resources in other businesses and enable the Group to have greater flexibility in negotiating terms with Haoyuan Yingte in respect of any technical service agreements, the Group agreed to terminate the framework agreement related to Haoyuan Yingte Transaction. This has resulted in a decrease in turnover to approximately HK$552,000, representing a drop of 72% as compared to the same period in the previous year. With the adjustment in development direction and resource reallocation, the income from such services is expected to shrink.

DEVELOPMENT OF VEHICLE CALL CENTER PROJECT

As the focus development of the Group, the Vehicle Call Center Project has made a great progress and started to generate income in this year. Products and services provided by the Group are at the marketing stage and good response was received from users. At present, over 400 users are using the service provided by the Group. The Group will keep improving the functions of the terminal products provided based on users' feedback, the quality of service and the data volume covered by the service is also increasing. The service center established in Beijing has already put into operation with its authorized national service number 95959, which provides prompt and comprehensive services to users.

The Group's second-generation terminal products that give support to distant diagnose system and Bluetooth technology are now under research and development. Significant progress has been made on its outlook design and performance enhancement. These new generation terminals, which can further improve quality of service by shortening response time, are scheduled to be put into the market by the end of this year.

In April this year, the Group entered into an agreement with Guangdong Development Bank and became a partner of the Group in providing Vehicle Call Center services. In June this year, the Group strategically signed a framework agreement with Beijing So Kent Auto Info Consultant Limited in respect of the jointly-development of Vehicle Call Center service. Capitalizing on the strong marketing network of Guangdong Development Bank and the Tongchengchewu Express Service Network (同城車務快速服務網絡) of So Kent Auto Info Consultant Limited, the Group and its partners gained competitive edges on expansion of business to promote the Group's products and services. In addition, Beijing Traffic Management Bureau, China Mobile and other government departments and mega companies give support to the project such that service data are more comprehensive and cost of users in using the system is lowered. Although, the market increases uncertainty for the project, the Group is very confident in the prospect of the project.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated funds and banking facilities during the period. The liquidity position of the Group was maintained at a satisfactory level during the period. As at 30 June 2006, the Group has a gearing ratio of zero (31 December 2005: 0.03), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total bank and cash balances was HK$10,022,000 (31 December 2005: HK$19,267,000) with no bank loans as at 30 June 2006 (31 December 2005: HK$1,429,000). The currencies in which cash and cash equivalents held by the Group are mainly RMB and Hong Kong dollars.

Although the Group's liquidity position and gearing ratio are healthy to meet its ongoing operating and development requirements, credit facilities have nevertheless been put in place for contingency purposes. As at 30 June 2006, the Group's available credit facilities approximately amounted to HK$14,563,000 was in trade line.

CAPITAL STRUCTURE

There was no change to the Group's capital structure during the six months ended 30 June 2006.

SIGNIFICANT INVESTMENT

On 26 June 2006, Neolink Communications Technology (Hangzhou) Limited entered into a contract with Zhejiang Xiaoshan Construction (浙江蕭山建工) to construct three buildings with aggregate gross floor area of 21,900 sq.m. on the Land Parcel. The construction period is approximately 304 days. Application has been made to the relevant government authority. The commencement date shall be 22 July, subject to the approval of the relevant government authority.

The consideration of RMB$15,695,000 is not subject to variation and is arrived at after arm's length negotiation between the parties taking into account the gross floor area, manpower, time and materials required by the construction. As a prepayment of the project, 5% of the aggregate contract amount shall be paid within 7 working days after entering into the contract. After obtaining a progress certificate issued by qualified inspectors to certify the progress, Neolink Communications Technology (Hangzhou) Limited will pay the remaining construction fee according to the progress of the construction as follows:

1. 50% of the work done shall be paid and the prepayment shall be deducted within 7 working days after the completion of the floor structure of Fourth Floor of House No. 2; *(Note)*

2. 50% of the work done shall be paid within 7 working days after the capping of the roofing structures of House No. 1, House No. 2 and House No. 3 and the design heights are met; *(Note)*

3. 50% of the work done shall be paid within 7 working days after the construction as a whole meets the conditions of acceptance inspection and the submission of all of the acceptance inspection documents recognized by the project director; *(Note)*

4. 75% of the total construction expense shall be paid within 365 days from the completion date of acceptance inspection;

5. All contract amounts (except the amount retained under the warranty fee terms) shall be settled according to the result of the acceptance inspection within 547 days from the completion date of acceptance inspection.

Note: the relevant payment amount can only be calculated and determined upon the completion of the construction progress.

The Group plans to pay the aggregate contract amount in the following manner: first 50% of the contract amount by cash-flow derived from operating activities and the remaining balance (i.e. 50% of the contract amount) by bank loans.

CHARGE ON GROUP ASSETS

As at 30 June 2006, certain land and buildings under medium leases outside Hong Kong with net book value of approximately HK$1.28 million were pledged to bank to secure banking facilities.

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 June 2006, the Board was not aware of any material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2006, the Group employed a workforce of approximately 284, the majority of whom were employed in the PRC. Staff cost, including directors' remuneration, amounted to approximately HK$8,970,000 for the six months ended 30 June 2006. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any details of future plan for material investments or capital assets as at 30 June 2006.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no acquisitions or disposals of subsidiaries and affiliated companies during the year ended 30 June 2006.

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

As at 30 June 2006, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

LONG POSITIONS IN THE ORDINARY SHARES OF HK$0.10 EACH OF THE COMPANY

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Cai Zuping *(Note 1)*	Corporate	376,585,296	66.77%
Mr. Zhang Zheng *(Note 2)*	Corporate	376,585,296	66.77%

Notes:

1. Mr. Cai Zuping, an executive director and the chairman of the Company, holds his deemed interest in the Company through his shareholding of 23.82% in Infonet Group Co., Ltd. ("Infonet") which holds 66.77% of the total issued share capital of the Company.

2. Mr. Zhang Zheng, an executive director of the Company, has interest in the Company through his shareholding of 5.86% in Infonet.

Save as disclosed above, as at 30 June 2006, none of the directors and chief executives of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2006, the following persons (other than the director and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

LONG POSITIONS IN THE ORDINARY SHARES OF HK$0.10 EACH OF THE COMPANY

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Infonet *(Note 1)*	Corporate	376,585,296	66.77%
Harbour Smart Development Limited ("Harbour Smart") *(Note 2)*	Corporate	376,585,296	66.77%
Mr. Wang Yuan *(Note 3)*	Corporate	376,585,296	66.77%
Mr. He Yuefeng *(Note 3)*	Corporate	376,585,296	66.77%

Notes:

1. Infonet is a company incorporated in the British Virgin Islands which is beneficially owned, among others, as to 26% by Harbour Smart, as to 23.82% by Mr. Cai Zuping, as to 19.93% by Mr. Wang Yuan and as to 13.04% by Mr. He Yuefeng.

2. 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 Hubel 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 30 June 2006, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION

Pursuant to the Share Option Scheme adopted by the Company on 17 April 2003 ("Share Option Scheme"), as at 30 June 2006, the employees were granted share options to subscribe for shares of the Company, details of which were as follows:

Name of Category of participant	As at 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2006	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	27,150,000	–	–	–	–	27,150,000	24 June 2004	24 June 2005 – 23 June 2008	HK$0.2

None of the employees of the Group had exercised their share options during the period ended 30 June 2006.

Other than the share option scheme as described above, at no time during the period was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors to a acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, or their respective. Associates (which has the meaning ascribed to it under the Rules Governing the Listing of Securities on the GEM), had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 30 June 2006, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2006.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan. The Group's unaudited results for the six months ended 30 June 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

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

Hong Kong, 11 August 2006

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