



Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8116)

// Half-Year Report 2007 //



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This report, for which the directors of Neolink Cyber Technology (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding period in 2006, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2007

	Notes	(Unaudited) Three months ended 30 June 2007		(Unaudited) Six months ended 30 June 2007	
		HK\$'000	2006 HK\$'000	HK\$'000	2006 HK\$'000
Continuing operations					
Turnover	2	4,653	6,627	6,692	10,997
Cost of sales		(831)	(1,546)	(1,708)	(2,615)
Gross profit		3,822	5,081	4,984	8,382
Other revenues	2	3,434	547	3,518	577
Distribution costs		(1,184)	(833)	(3,090)	(1,750)
Administrative expenses		(7,470)	(4,036)	(13,503)	(8,218)
(Loss)/profit from operations	4	(1,398)	759	(8,091)	(1,009)
Finance costs		(154)	(135)	(241)	(191)
(Loss)/profit before tax		(1,552)	624	(8,332)	(1,200)
Income tax expenses	5	(86)	(218)	(86)	(224)
Net (loss)/profit for the period from continuing operations		(1,638)	406	(8,418)	(1,424)
Discontinued operations					
Loss for the period from discontinued operations		-	(7,807)	-	(10,800)
Loss for the period		(1,638)	(7,401)	(8,418)	(12,224)
Loss attributable to:					
Shareholders		(1,679)	(4,216)	(8,450)	(7,756)
Minority interest		41	(3,185)	32	(4,468)
		(1,638)	(7,401)	(8,418)	(12,224)
Dividends		-	-	-	-
		HK cents	HK cents	HK cents	HK cents
Loss Per Share					
From continuing and discontinued operations (loss) earnings per Share	1	(0.19)	(0.74)	(1.02)	(1.37)
From continuing operations Basic loss per Share	6	(0.19)	0.07	(1.02)	(0.25)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		(Unaudited) As at 30 June 2007 HK\$'000	(Audited) As at 31 December 2006 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	7	11,892	4,656
Lease premium for land	8	2,612	2,640
		<u>14,504</u>	<u>7,296</u>
Current assets			
Lease premium for land		56	56
Inventories		13,519	8,057
Trade receivables	9	8,725	32,836
Prepayments, deposits and other receivables		19,041	7,938
Amounts due from related companies		7,650	6,499
Cash and bank balances		199,248	12,215
		<u>248,239</u>	<u>67,601</u>
Current liabilities			
Trade payables	10	1,960	1,938
Accruals and other payables		6,565	14,461
Deposit received		249	249
Amount due to ultimate holding company		–	3,722
Amounts due to related companies		19,764	9,033
Taxation payable		86	968
Bank loans	11	7,000	8,000
		<u>35,624</u>	<u>38,371</u>
Net current assets		<u>212,615</u>	<u>29,230</u>
Total assets less current liabilities		<u>227,119</u>	<u>36,526</u>
CAPITAL AND RESERVES			
Share capital	12	97,416	56,400
Reserves		129,703	(19,874)
		<u>227,119</u>	<u>36,526</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	(Unaudited)	
	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	9,844	(6,642)
Net cash outflow from investing activities	(6,062)	(1,269)
Net cash inflow/(outflow) from financing activities	202,939	(1,429)
Increase/(decrease) in cash and cash equivalents	187,033	(9,340)
Effect of foreign exchange rate changes	-	433
Cash and cash equivalents at beginning of period	12,215	18,929
Cash and cash equivalents at end of period	199,248	10,022
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	199,248	10,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital	Share premium	Merger reserve	Revaluation reserve	General reserve	Enterprise expansion fund	Exchange reserve	Share-based compensation reserve	Accumulated losses	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000 (Note (ii))	HK\$'000	HK\$'000 (Note (i))	HK\$'000 (Note (i))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	56,400	26,993	(46,815)	1,468	6,806	50	627	1,092	(7,944)	8,316	46,993
Net loss for the period	-	-	-	-	-	-	-	-	(7,756)	(4,468)	(12,224)
Employee share option benefits	-	-	-	-	-	-	-	364	-	-	364
Exchange differences	-	-	-	-	-	-	433	-	-	-	433
At 30 June 2006	56,400	26,993	(46,815)	1,468	6,806	50	1,060	1,456	(15,700)	3,848	35,566
At 1 January 2007	56,400	26,993	(46,815)	1,846	6,846	50	2,454	1,821	(12,759)	(310)	36,526
Net profit for the period	-	-	-	-	-	-	-	-	(8,450)	32	(8,418)
Transfer from share-based compensation reserve	-	-	-	-	-	-	-	(1,821)	-	-	(1,821)
Elimination upon disposal of subsidiaries	-	-	(3,045)	-	-	-	-	-	-	-	(3,045)
Exchange differences	-	-	-	-	-	-	(56)	-	-	-	(56)
Placing of new shares	41,016	162,917	-	-	-	-	-	-	-	-	203,933
At 30 June 2007	97,416	189,910	(49,860)	1,846	6,846	50	2,398	-	(21,209)	(278)	227,119

- (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.

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 2006.

2. Turnover and revenue

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

	Three months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Technical service income				
Telemedia-related services	-	-	-	552
Sales of goods				
Radio trunking systems integration	4,653	6,627	6,692	10,445
	4,653	6,627	6,692	10,997
Other revenues				
Interest income	41	49	55	105
Others	3,393	498	3,463	472
	3,434	547	3,518	577
Total revenues	8,087	7,174	10,210	11,574

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:

	Continuing operations				Discontinued operations		Consolidated			
	Sales of radio trunking systems integration		Provision of telemedia-related and other value-added telecommunication-related technical services		Sales of global positioning system		Continuing		Discontinued	
	Three months ended 30 June		Three months ended 30 June		Three months ended 30 June		Three months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
Revenue	4,653	6,627	-	-	-	-	4,653	6,627	-	6,627
RESULTS										
Segment results	450	2,249	-	(340)	-	(7,807)	450	1,909	-	(7,807)
Other revenue							3,434	547	-	-
Unallocated corporate expenses							(5,282)	(1,697)	-	-
Profit (loss) from operations							(1,398)	759	-	(7,807)
Finance costs							(154)	(135)	-	-
Profit (loss) before tax							(1,552)	624	-	(7,807)
Income tax (expense) credit							(86)	(218)	-	-
Net profit (loss) for the period							(1,638)	406	-	(7,807)

	Continuing operations				Discontinued operations		Consolidated			
	Sales of radio trunking systems integration		Provision of telemedia-related and other value-added telecommunication-related technical services		Sales of global positioning system		Continuing		Discontinued	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
Revenue	6,692	10,402	-	552	-	-	6,692	10,954	-	-
RESULTS										
Segment results	(3,077)	2,040	-	(479)	-	(10,973)	(3,077)	1,561	-	(10,973)
Other revenue							3,518	577	-	-
Unallocated corporate expenses							(8,532)	(3,147)	-	-
Loss from operations							(8,091)	(1,009)	-	(10,973)
Finance costs							(241)	(191)	-	-
Loss before tax							(8,332)	(1,200)	-	(10,973)
Income tax (expense) credit							(86)	(224)	-	-
Net loss for the period							(8,418)	(1,424)	-	(10,973)

4. Loss for the period

	Continuing operations		Discontinued operations		Consolidated	
	Three months ended		Three months ended		Three months ended	
	30 June		30 June		30 June	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Loss for the period has been

arrived at after charging (crediting):

Cost of goods sold	831	1,546	-	-	831	1,546
Depreciation of property, plant and equipment	346	437	-	397	346	833
Amortisation of lease premium for land	13	13	-	-	13	13
Written off of intangible assets	-	1,337	-	-	-	1,377
Operating lease payments in respect of rented premises	750	381	-	272	750	653
Provision for slow moving inventories	-	2,025	-	-	-	2,025
Research and development costs	1,203	1,057	-	784	1,203	1,841
Staff costs, including directors' remuneration	2,335	2,644	-	1,424	2,335	4,068

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Loss for the period has been

arrived at after charging (crediting):

Cost of goods sold	1,708	2,616	-	-	1,708	2,616
Depreciation of property, plant and equipment	1,224	3,944	-	621	1,224	4,565
Amortisation of lease premium for land	28	27	-	-	28	27
Operating lease payments in respect of rented premises	1,500	702	-	544	1,500	1,246
Provision for slow moving inventories	-	2,025	-	-	-	2,025
Research and development costs	2,336	2,038	-	1,782	2,336	3,820
Staff costs, including directors' remuneration	2,770	2,936	-	2,888	2,770	5,824

5. Taxation

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax	(i)	–	–	–	–
Overseas taxation	(ii)	86	218	86	224
		86	218	86	224

- (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 per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	2007 HK\$'000	2006 HK\$'000
For continuing and discontinued operations		
Loss attributable to shareholders	(8,450)	(7,756)
For continuing operations		
Loss attributable to shareholders	(8,418)	(1,424)
	Number of shares	
	2007	2006
Weighted average number of ordinary shares in issue during the period	819,280,879	564,000,000

7. Property, plant and equipment

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Net book value, beginning of period/year	4,656	9,824
Additions	6,012	4,216
Disposals	-	(6,125)
Depreciation	1,224	(3,686)
Surplus on revaluation	-	378
Eliminated on disposal of subsidiary	-	(434)
Exchange rate adjustment	-	483
Net book value, end of period/year	<u>11,892</u>	<u>4,656</u>

8. Lease premium for land

	The Group	
	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Net book value at 1 January	<u>2,696</u>	<u>2,754</u>
Exchange adjustments	-	2
Amortisation for the period	<u>28</u>	<u>56</u>
Net book value at 30 June	2,668	2,696
Current portion of lease premium for land	<u>56</u>	<u>56</u>
Non-current portion	<u>2,612</u>	<u>2,640</u>

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

9. 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 HK\$'000	31 to 60 days HK\$'000	61 to 90 days HK\$'000	91 to 120 days HK\$'000	Over 120 days HK\$'000	Total HK\$'000
As at 30 June 2007	<u>803</u>	<u>84</u>	<u>1,527</u>	<u>-</u>	<u>6,311</u>	<u>8,725</u>
As at 31 December 2006	<u>16,144</u>	<u>6,312</u>	<u>180</u>	<u>1,048</u>	<u>9,152</u>	<u>32,836</u>

10. Trade payables

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

	0 to 30 days HK\$'000	31 to 60 days HK\$'000	61 to 90 days HK\$'000	Over 120 days HK\$'000	Total HK\$'000
As at 30 June 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,960</u>	<u>1,960</u>
As at 31 December 2006	<u>-</u>	<u>65</u>	<u>-</u>	<u>1,873</u>	<u>1,938</u>

11. Bank loans

	The Group	
	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Wholly repayable within one year – secured	-	8,000
Wholly repayable within one year – unsecured	<u>7,000</u>	<u>-</u>
	<u>7,000</u>	<u>8,000</u>

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

12. Share capital

	The Company			
	30 June 2007		31 December 2006	
	Number of shares	Nominal Value HK\$	Number of shares	Nominal Value HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.10 each	2,000,000,000	200,000,000	1,000,000,000	100,000,000
<i>Issued and fully paid:</i>				
Beginning of period/year	564,000,000	56,400,000	564,000,000	56,400,000
End of period/year	974,160,000	97,416,000	564,000,000	56,400,000

13. Related party transactions

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

	Note	The Group	
		Six months ended 30 June 2007 HK\$'000	Six months ended 30 June 2006 HK\$'000
Sales of equipment, monitor systems and provision of technical services to – Haoyuan Yingte	(i)	–	552
Loan interest paid to Shenzhen Communication	(ii)	110	91
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\$3,300,000 (2006: HK\$2,760,000) from Shenzhen Communication (*Note (ii)*). The loan is unsecured, interest-bearing at approximately 6.22% (2006: 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\$5.2 million Hangzhou Neolink Communication System Company Limited (*Note i*). The borrowings are unsecured, interest-free, and no fixed terms of repayment.

14. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2007, the unaudited consolidated turnover of Group was approximately HK\$6.7 million, representing an decrease of approximately 40% as compared with the corresponding period in 2006. The unaudited loss attributable to shareholders for the six months ended 30 June 2007 amounted to approximately HK\$8.4 million.

The business of radio trunking system integration recorded 6.7 million sales, the turnover was improved by HK\$0.1 million and the result of this business was loss of 3 million whereas, 2 million profits in last year. The decrease of business was mainly attributable to delay in delivery orders from government procurement bodies during the first half year.

During the period ended 30 June 2007, there was no turnover for provision of telemedia related and other value added-telecommunication related services.

PLACING OF NEW SHARES

In order to broaden the shareholders base and capital base of the Company and to raise capital for the Group to increase available financial resources for future investment opportunities, the Group completed the placing of a total of 410,160,000 new shares in 15 January 2007, 27 February 2007 and 14 June 2007, raising HK\$203,932,800.

BUSINESS REVIEW AND OUTLOOK

Through resource integration and modification of business development directions in 2006, the Group has, during the first half of the year, gradually realised transition of operation focus to businesses like radio trunking systems, and has achieved effective results.

BUSINESS DEVELOPMENT

For the three months ended and six months ended 30 June 2007, the radio trunking business of the Group achieved a turnover of HK4.6 million and HK6.7 million respectively, representing a decrease of 40% and a slight increase of 2% as compared to the corresponding quarter and half-year in the previous year respectively. The decrease in turnover for the current quarter is mainly attributable to the delay in delivery of partial government procurement products from half-year to this quarter.

For the six months ended 30 June 2007, the Group's radio trunking business received orders, which are expected to be executed this year, with an aggregate value of approximately HK\$65,000,000, representing an increase of 68% as compared with HK38,670,000 in the same period last year. The increase is mainly attributable to a significant increase in orders from government procurement department and a significant increase in orders from transportation and other areas.

During the first half of the year, the Group and its partner succeeded in obtaining the VHF Project of Zhejiang Maritime Safety Administration. Implementation of the project has brought about a good prospect for the Group in the sales in the transportation sector.

In order to broaden the shareholders base and capital base of the Company and to raise capital for the Group to increase available financial resources for future investment opportunities, the Group completed the placing of a total of 410,160,000 new shares during the period, raising approximately HK\$200 million for future use.

2007 is a critical year in the strategic transition of the Group. After the continuous review and revision of the past business and development directions in 2006, the Group has made clear its future business development direction, that is, to gain breakthroughs in the areas of public safety, police and marine transportation, to expand actively the existing market and to develop new products and to tap its market.

The construction project on the plant and office area on land acquire by the Group in Hangzhou has already finished the roof covering process in the main stage. Construction of fire prevention, sewage and interior and exterior decoration project will be finished in the third quarter. The land is expected to be able to put to use within this year.

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 2007, the Group has a gearing ratio of 3% (31 December 2006: 22%), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total bank and cash balances was HK\$199,248 (31 December 2006: HK\$12,215,000) with HK\$7,000,000 bank loans as at 30 June 2007 (31 December 2006: HK\$8,000,000). 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 2007, the Group's available credit facilities approximately amounted to HK\$7,000,000 was in trade line.

CAPITAL STRUCTURE

There was no change to the Group's capital structure during the six months ended 30 June 2007.

CHARGE ON GROUP ASSETS

As at 30 June 2007, there were no assets being 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 2007, the Board was not aware of any material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed a workforce of approximately 254, the majority of whom were employed in the PRC. Staff cost, including directors' remuneration, amounted to approximately HK\$2,770 for the six months ended 30 June 2007. 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

In the announcement dated 11 July 2007, the Board announced that, on 6 July 2007, Chang Kang, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Chongqing Changan Jinling to establish the JV Company which will be principally engaged in the development, production and sales of automobile stamping and welding parts and related accessories in the PRC.

Capital structure

Chang Kang and Chongqing Changan Jinling shall hold 49% and 51% respectively of the equity interests in the JV Company upon establishment. The registered capital of the JV Company shall be RMB100 million (equivalent to approximately HK\$100 million). The total investment of the JV Company, including the said registered capital, shall be RMB300 million (equivalent to approximately HK\$300 million).

The registered capital of the JV Company shall be contributed as to RMB49 million (equivalent to approximately HK\$49 million) by Chang Kang and as to RMB51 million (equivalent to approximately HK\$51 million) by Chongqing Changan Jinling in proportion to their respective equity interests in the JV Company.

The balance of the total investment of the JV Company shall be contributed by Chang Kang and Chongqing Changan Jinling in proportion to their respective equity interests in the JV Company.

Chang Kang shall contribute its share of the total investment of the JV Company (including the registered capital) of RMB147 million (equivalent to approximately HK\$147 million) in cash which shall be financed by the Group's internal resources.

Chongqing Changan Jinling shall contribute its share of the total investment of the JV Company (including the registered capital) of RMB153 million (equivalent to approximately HK\$153 million) by way of injection of its own tangible assets as mutually agreed by both Chongqing Changan Jinling and Chang Kang including but not limited to (i) production lines and production facilities for the stamping and welding of automobile parts such as external body cover, car door and other body parts; and (ii) the Land, which consists of a piece of land of approximately 47,429 square meters for industrial use with the land use right granted to Chongqing Changan Jinling until 2054, and with a factory and ancillary buildings thereon with a total floor area of approximately 23,000 square meters. The Land is currently occupied by Chongqing Changan Jinling for its own business. It is intended that the Land shall be used as the principal production base for the JV Company's business.

A PRC independent professional valuer duly qualified and licensed under the relevant laws and regulations in the PRC who is acceptable to both parties to the JV Agreement shall be engaged to perform valuation on the said tangible assets in accordance with the requirements and standards under the relevant PRC laws and regulations prior to the contribution to the JV Company by Chongqing Changan Jinling. The Directors are of the view that such duly qualified and licensed PRC valuer has the proper qualification and is appropriate to perform the valuation on the said tangible assets.

In the event that the assessed value of the said tangible assets to be injected if Chongqing Changan Jinling is less than Chongqing Changan Jinling's capital contribution commitment, Chongqing Changan Jinling shall contribute the shortfall by way of cash. Pursuant to the JV Agreement, Chongqing Changan Jinling has not agreed to inject any of its existing business operation as its share of contribution towards the total investment (including the registered capital) of the JV Company.

Chang Kang and Chongqing Changan Jinling shall make their capital contribution after establishment of the JV Company according to the timetable to be determined by the both parties. The both parties shall proceed as soon as possible to establishing the JV Company and obtaining all necessary approvals related thereto.

Save as disclosed above, the Group did not have any details of future plan for material investments or capital assets as at 30 June 2007.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no acquisitions or disposals of subsidiaries and affiliated companies during the period ended 30 June 2007.

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

As at 30 June 2007, 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	363,040,296	37.27%

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 37.27% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2007, 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 2007, 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	363,040,296	37.27%
Harbour Smart Development Limited ("Harbour Smart") (Note 2)	Corporate	363,040,296	37.27%
Mr. Wang Yuan (Note 3)	Corporate	363,040,296	37.27%
Value Partners Limited (Note 4)	Other interest	53,615,000	5.50%
Mr. Cheah Cheng Hye (Note 4)	Corporate interest	53,615,000	5.50%

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 is an independent third party not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. He is not involved in the management of the Company and its subsidiaries. Mr. Wang Yuan has interest in the Company through their shareholdings of 19.93% in Infonet.
4. Value Partners Limited was interested in 53,615,000 Shares in the capacity of investment manager. Mr. Cheah Cheng Hye held 35.65% of the issue Share capital of Value Partners Limited and was deemed to have corporate interest in 53,615,000 Shares.

Save as disclosed above, as at 30 June 2007, 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

No share option scheme was adopted since the termination of the Scheme on 14 January 2007. 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 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.

The Company adopted a new share option scheme (“the Scheme”), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion to grant options to 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.

The Company operates 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 any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent supplier, customer, business partner shareholder of the Group for their contribution or potential contribution to the Group.

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 passing of the relevant resolution for adjusting the scheme.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 30 June 2007, 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 2007.

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. Tso Hoi Sai Bosco and Mr. Lee Chi Hwa Joshuen. The Group's unaudited results for the six months ended 30 June 2007 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

PLACING OF NEW SHARES

In order to broaden the shareholders base and capital base of the Company and to raise capital for the Group to increase available financial resources for future investment opportunities, the Group completed the placing of a total of 410,160,000 new shares during the period, raising approximately HK\$200 million for future use.

Save as disclosed above 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 2007.

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

Hong Kong, 13 August 2007

As at the date hereof, the Company comprises the three executive directors (Mr. Cai Zuping, Mr. Stephen William Frostick and Mr. Gao Guo Lung) the executive directors of the Company and the three independent non-executive directors are (Mr. Jin Ge, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua.)