优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8116)

HALF-YEAR REPORT **2008**

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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 2008, together with the unaudited comparative figures for the corresponding period in 2007, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2008

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2008	2007	**2008**	2007
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations					
Turnover	2	**86,608**	–	**171,426**	–
Cost of sales		**(81,296)**	–	**(160,288)**	–
Gross profit		**5,312**	–	**11,138**	–
Other revenues	2	**5,713**	2,781	**7,606**	2,783
Distribution costs		**(2,549)**	–	**(4,302)**	–
Administrative expenses		**(9,334)**	(3,769)	**(28,380)**	(6,026)
Gain on disposal of subsidiaries		**–**	–	**1,402**	–
Loss from operations	4	**(858)**	(988)	**(12,536)**	(3,243)
Finance costs		**(813)**	–	**(1,239)**	–
Loss before tax		**(1,671)**	(988)	**(13,775)**	(3,243)
Income tax expenses	5	**(2,383)**	–	**(2,383)**	–
Net loss for the period from continuing operations		**(4,054)**	(988)	**(16,158)**	(3,243)
Discontinued operations					
Loss for the period from discontinued operations		**–**	(564)	**(2,935)**	(5,089)
Income tax expenses		**–**	(86)	**–**	(86)
Loss for the period		**(4,054)**	(1,638)	**(19,093)**	(8,418)
Loss attributable to:					
Shareholders		**(4,054)**	(1,552)	**(19,089)**	(8,386)
Minority interest		**–**	(86)	**(4)**	(32)
		(4,054)	(1,638)	**(19,093)**	(8,418)
Dividends		**–**	–	**–**	–
		HK cents	*HK cents*	***HK cents***	*HK cents*
Loss Per Share					
From continuing and discontinued operations loss per Share		**(0.35)**	(0.19)	**(1.63)**	(1.03)
From continuing operations Basic loss per Share	6	**(0.35)**	(0.12)	**(1.38)**	(0.39)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	(Unaudited) As at 30 June 2008 HK$'000	(Audited) As at 31 December 2007 HK$'000
Non-current assets			
Property, plant and equipment	7	**32,871**	44,404
Lease premium for land	8	**–**	2,721
		32,871	47,125
Current assets			
Inventories		**90,794**	71,143
Lease premium for land	8	**–**	58
Trade receivables	9	**57,542**	33,227
Other receivables, deposits and prepayments		**71,585**	9,430
Amount due from ultimate holding company		**50**	50
Amounts due from related companies		**18,914**	25,312
Financial assets at fair value through profit or loss		**14,264**	19,999
Cash and bank balances		**122,651**	174,408
		375,800	333,627
Current liabilities			
Trade payables	10	**96,754**	40,338
Bills payable		**8,433**	10,526
Accruals and other payables		**18,464**	10,784
Deposit received		**894**	4,406
Amount due to ultimate holding company		**–**	47
Amount due to related companies		**20**	34,806
Tax payable		**1,353**	1,084
Borrowings	11	**29,361**	5,951
		155,279	107,942
Net current assets		**220,521**	225,685
Total assets less current liabilities		**253,392**	272,810
Non-current liabilities			
Borrowings	11	**1,437**	1,799
Net assets		**251,955**	271,011
Capital and reserves			
Share capital	12	**116,816**	116,816
Reserves		**135,139**	154,195
		251,955	271,011

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	(Unaudited) Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(56,081)**	(9,844)
Net cash outflow from investing activities	**(23,987)**	(6,062)
Net cash inflow from financing activities	**28,311**	202,939
(Decrease)/increase in cash and cash equivalents	**(51,757)**	187,033
Effect of foreign exchange rate changes	**–**	–
Cash and cash equivalents at beginning of period	**174,408**	12,215
Cash and cash equivalents at end of period	**122,651**	199,248
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**122,651**	199,248

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	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$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note (ii))		*(Note (i))*	*(Note (i))*					
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	–	–	–	–	–	–	–	–	(8,386)	(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	–	(21,145)	(342)	227,119
At 1 January 2008	116,816	212,802	(46,815)	1,846	6,846	50	6,822	33,424	(60,329)	(451)	271,011
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(19,089)	(4)	(19,093)
Disposal of subsidiaries	–	–	–	(1,846)	–	–	(1,780)	–	1,846	455	(1,325)
Exchange differences	–	–	–	–	–	–	1,362	–	–	–	1,362
At 30 June 2008	116,816	212,802	(46,815)	–	6,846	50	6,404	33,424	(77,572)	–	251,955

(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 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 2007.

2. Turnover and other revenue

The Group is principally engaged in production and sales of automobile parts and accessories in PRC, 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**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Technical service income				
Telemedia-related services	**–**	–	**–**	–
Sales of goods				
Radio trunking systems integration	**10,107**	–	**10,282**	–
Sales of automobile stamping and welding parts and related accessories	**76,501**	–	**161,144**	–
	86,608	–	**171,426**	–
Other revenues				
Interest income	**291**	298	**901**	300
Others	**5,422**	2,483	**6,705**	2,483
	5,713	2,781	**7,606**	2,783
Total revenues	**92,321**	2,781	**179,032**	2,783

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 production and sales of automobile parts and related accessories and 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				**Consolidated**			
	Sales of radio trunking systems integration Three months ended 30 June		**Sales of automobile stamping and welding parts and related accessories Three months ended 30 June**		**Continuing Three months ended 30 June**		**Discontinued Three months ended 30 June**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER								
Revenue	**10,107**	–	**76,501**	–	**86,608**	–	**–**	4,653
RESULTS								
Segment results	**(362)**	–	**3,970**	–	**3,608**	–	**–**	450
Other revenue					**5,173**	2,781	**–**	652
Unallocated corporate expenses					**(9,639)**	(3,769)	**–**	(1,512)
Loss from operations					**(858)**	(988)	**–**	(410)
Finance costs					**(813)**	–	**–**	(154)
Loss before tax					**(1,671)**	(988)	**–**	(564)
Income tax expense					**(2,383)**	–	**–**	(86)
Net loss for the period					**(4,054)**	(988)	**–**	(650)

	Continuing operations				Consolidated			
	Sales of radio trunking systems integration Six months ended 30 June		Sales of automobile stamping and welding parts and related accessories Six months ended 30 June		Continuing Six months ended 30 June		Discontinued Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER								
Revenue	**10,282**	–	**161,144**	–	**171,426**	–	**–**	6,692
RESULTS								
Segment results	**(5,354)**	–	**8,210**	–	**2,856**	–	**(2,632)**	(3,077)
Other revenue					**7,606**	2,783	**530**	735
Gain on disposal of subsidiaries					**1,402**	–	**–**	–
Unallocated corporate expenses					**(24,400)**	(6,026)	**(719)**	(2,506)
Loss from operations					**(12,536)**	(3,243)	**(2,821)**	(4,848)
Finance costs					**(1,239)**	–	**(114)**	(241)
Loss before tax					**(13,775)**	(3,243)	**(2,935)**	(5,089)
Income tax expense					**(2,383)**	–	**–**	(86)
Net loss for the period					**(16,158)**	(3,243)	**(2,935)**	(5,175)

4. Loss for the period

	Continuing operations Three months ended 30 June		Discontinued operations Three months ended 30 June		Consolidated Three months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	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	**81,296**	–	**–**	831	**81,296**	831
Depreciation of property, plant and equipment	**1,383**	143	**–**	203	**1,383**	346
Amortisation of lease premium for land	**–**	–	**–**	13	**–**	13
Operating lease payments in respect of rented premised	**452**	17	**–**	733	**452**	750
Research and development costs	**–**	–	**–**	1,203	**–**	1,203
Staff costs, including directors' remuneration	**8,600**	205	**–**	2,130	**8,600**	2,335

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	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	**160,288**	–	**–**	1,708	**160,288**	1,708
Depreciation of property, plant and equipment	**1,936**	1,021	**167**	203	**2,103**	1,224
Amortisation of lease premium for land	**–**	–	**16**	28	**16**	28
Operating lease payments in respect of rented premised	**769**	35	**138**	1,465	**907**	1,500
Research and development costs	**–**	–	**–**	2,336	**–**	2,336
Staff costs, including directors' remuneration	**13,443**	641	**1,050**	2,129	**14,439**	2,770
Written back upon termination of share option scheme	**–**	(1,821)	**–**	–	**–**	(1,821)
Gain on disposal of subsidiary	**(1,402)**	–	**–**	–	**(1,402)**	–

5. Income tax expense

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

		Three months ended 30 June		Six months ended 30 June	
		2008	2007	**2008**	2007
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	*(i)*	**–**	–	**–**	–
Overseas taxation	*(ii)*	**2,383**	86	**2,383**	86
		2,383	86	**2,383**	86

(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.

	2008	2007
	HK$'000	*HK$'000*
For continuing and discontinued operations		
Loss attributable to shareholders	**(19,093)**	(8,418)
For continuing operations		
Loss attributable to shareholders	**(16,158)**	(3,243)

	Number of shares	
	2008	2007
Weighted average number of ordinary shares in issue during the period	**1,168,160,000**	819,280,879

7. Property, plant and equipment

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Net book value, beginning of period/year	**44,404**	4,656
Additions	**14,432**	43,022
Disposals	**–**	(885)
Depreciation	**(2,103)**	(2,618)
Eliminated on disposal of subsidiaries	**(25,580)**	–
Exchange rate adjustment	**1,718**	229
Net book value, end of period/year	**32,871**	44,404

8. Lease premium for land

	The Group	
	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Net book value at 1 January	**2,779**	2,696
Exchange adjustments	**154**	141
Amortisation for the period	**(16)**	(58)
Eliminated on disposal of subsidiaries	**(2,917)**	–
Net book value, end of period/year	**–**	2,779
Current portion of lease premium for land	**–**	(58)
Non-current portion	**–**	2,721

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	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 2008	**37,133**	**18,354**	**812**	**–**	**1,243**	**57,542**
As at 31 December 2007	24,764	2,184	53	140	6,086	33,227

A joint venture of the Group transferred receivable balances amounting to HK$59,009,000 to a bank in exchange for cash during the period ended 30 June 2008. The transaction has been accounted for as a collateralised borrowings *(Note 11)*. In case the entities default under the loan agreement, the borrower has the right to receive the cash flows from the receivables transferred without default, the entities will collect the receivables and allocate new receivables as collateral.

10. 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 2008	**61,665**	**19,173**	**15,374**	**334**	**208**	**96,754**
As at 31 December 2007	33,264	5,279	496	248	1,051	40,338

11. Borrowings

	The Group	
	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Secured bank loans *(Note 1)*	**6,716**	5,263
Collateralised borrowings *(Note 2)*	**21,933**	–
Loan from other entity *(Note 3)*	**2,149**	2,487
	30,798	7,750
Carrying amount repayable:		
On demand or within one year	**29,361**	5,951
More than one year, but not exceeding two years	**762**	724
More than two years, but not more than five years	**675**	1,075
	30,798	7,750
Amounts due within one year shown under current liabilities	**(29,361)**	(5,951)
	1,437	1,799

Notes:

(1) The bank loans are interest-bearing at 8.22% is guaranteed by the corporate guarantee provided by a an independent company of the Group.

(2) The collateralised borrowings is secured by a trade receivable *(Note 9)* and bear interest rate at 7.84-8.59%.

(3) Fixed rate loan with interest at 2.85% with a finance company amount to approximately HK$2 million (31 December 2007: HK$3 million) with maturity periods not exceeding 4 years. The loan is secured by its motor vehicle with net book value of HK$3,900,000 (31 December 2007: 4,800,000) and a fixed deposit of HK$2,000,000.

12. Share capital

	30 June 2008		31 December 2007	
	Number of shares	**Nominal Value**	Number of shares	Nominal Value
		HK$'000		*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning of year	**5,000,000,000**	**500,000**	1,000,000,000	100,000
Increase in authorized share capital *(note (a))*	**–**	**–**	1,000,000,000	100,000
At end of the period/year	**5,000,000,000**	**500,000**	2,000,000,000	200,000
Issued and fully paid:				
At beginning of year	**1,168,160,000**	**116,816**	564,000,000	56,400
Placement of new shares *(note (b))*	**–**	**–**	604,160,000	60,416
At end of the period/year	**1,168,160,000**	**116,816**	1,168,160,000	116,816

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:

		The Group	
		Six months ended 30 June 2008	Six months ended 30 June 2007
	Note	***HK$'000***	*HK$'000*
Sales of equipment, monitor systems and provision of technical services to			
– Hangzhou Neolink Communication System Company Limited ("Hangzhou Communication")	*(i)*	**2,981**	–
Sales of automobile stamping and welding parts and related accessories to Chongqing Changan Jinling Automobile Parts Co., Ltd. ("Chongqing Changan Jinling")	*(ii)*	**2,222**	–
Office administrative services income received from			
– Qing Jiang HK	*(iii)*	**–**	5
– Harbour Smart	*(iii)*	**–**	5

(b) During the period the Group no loan (31 December 2007: HK$3,706,000) borrowed from Shenzhen Communication *(Note (v))*. The loan was borne by a disposed subsidiary and not consolidated to the Group at the period ended and was unsecured, interest free, (2007: interest-bearing from 6.13% to 6.57% per annum) and is repayable within twelve months.

Note:

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

(ii) Chongqing Changan Jinling holds 51% shares of South JinKang Automobile Parts and Components Company Limited. Another 49% is held by a wholly owned subsidiary of the Company.

(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.

14. Capital commitment

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	14,393

In addition to the above, the Group shall contribute its share of the further investment in the joint venture company of RMB98 million (equivalent to approximately HK$103 million) in cash in order to commit the total investment thereof.

Furthermore, the Group's share of the capital commitments of its joint ventures are as follows:

Contracted for but not provided	**6,926**	843
Authorised but not contracted for	**103,909**	106,448

15. Dividend

The Board of the Company does not recommend the payment of an interim dividend throughout the six months ended 30 June 2008.

BUSINESS REVIEW AND OUTLOOK

GROUP DEVELOPMENT

The Group will develop into a diversify enterprise, with a view to maintain stable growth. As such, the Group will keep looking for and identifying suitable investment opportunities and projects, and continue to bring the largest return to the shareholders.

In 2008, The Group continues to stick with its operation strategy to integrate its resources and make adjustment to its business, the non-performing business will be gradually split out through disposal or other methods, so as to optimize the Group's asset and allocate the limited resources to explore business with brighter prospect, thus pursuit the rapid development and healthy growth of the Group's business.

AUTOMOBILE STAMPING AND WELDING

The JV Company was duly established in September 2007. Its principal business consists of developing, producing and selling products of stamping and welding parts for automobiles and other auxiliary products, designing, manufacturing and selling of grips and moulds.

During the first half of the year, the JV Company recorded sales of HK$328,865,000 (approximately RMB295,979,000). The Group has accounted for the sales on proportion and recorded turnover of HK$161,144,000 (approximately RMB145,029,000). Its customers include ChangAn Auto Co Ltd, ChangAn Ford Mazda, ChangAn Suzuki Auto Corp, JiangLing Co Ltd and ChangAn Ford Nanjing Corp etc. The Group is reviewing the business of the JV Company and undergoing a negotiation of the business progress with the joint partner Chongqing Changan Jinling Automobile Parts Company Limited so as to underpin the growth development of the JV Company, as well as to bring drives for the growth of results in the long run.

The JV Company is now preparing for the expansion of third and fourth phases construction with the plans set out below:

1. *Third Phase Construction*

This acts as the carrying project in 2007, its major construction includes: a new high capacity stamping production line with 2,400 tonnes, 28 new processing equipments, which formed a production scale with 240,000 units of larged-sized automobile casings per year; a new welding plant with 7,800 square meters and offices built in Changan Industrial Park to meet the needs of welding workshops or other departments. The total investment for the Third Phase Construction project is approximately RMB129 million. It is expected that the investment will be completed in 2008.

2. *Forth Phase Construction*

In order to meet the requirement of large scale stamping parts, car door production and the replacement of plant capacity, it is intended to implement the Fourth Phase Construction, its major construction includes: a proposed plan to build two new stamping production lines in Changan Industrial Park, to build one new car door fastening welding production line in the original stamping plant, to introduce ancillary equipments such as scrap material delivery channel, truck trolley, hand pallet trucks etc. and to enlarge the power plant. The additional fixed asset investment on the Fourth Phase Construction is RMB79 million. When all construction works have been completed, annual production volume will increase to 240,000 units of larger-sized casings, 220,000 stamping and welding parts to car main body and 100,000 units of door.

RADIO TRUNKING BUSINESS

In the first quarter of 2008, the Group disposed of the hardware product segment of its radio trunking business, which is highly prone to the effect of customer demand and limited by its technicality. More resources are therefore devoted to the research and development of software products as well as the expansion of other businesses. The revenue in the second quarter and first half of the year were mainly derived from the sales of software products and the selling of unused inventories.

The Group is collaborating with various companies in the research and development of the wholly digital trunking switch (全數位集群交換機), which is the latest generation of core switch auxiliary module of trunking sub-system (集群子系統的核心交換配套模組), with the aim to accommodate the development of integrated radio communication technology. The success in the research of such product will bring more market opportunities and better development prospects to the Group in the expansion of radio communication field.

For the six month ended 30 June 2008, due to the enhancement in terms of precision of the new system, the demand for relevant radio trunking software business has increased and brought to the Group a satisfactory operating environment. For the six months period, a turnover of HK$10.28 million was recorded, whereas there was no sales recorded regarding to this relevant business in the corresponding period last year.

PROPOSED ACQUISITION OF A MINING BUSINESS

On 30 June 2008, the Group and the Vendors entered into the New Framework Agreement in relation to the proposed acquisition of the entire issued share capital of the Target. Upon completion of the Target Group's reorganization, the Target Group will become the owner of a mining business in the PRC which consists of the mining rights over the Mine and related production facilities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules). The Vendors are the same vendors under the Chongyi Framework Agreement. The New Framework Agreement does not create legally binding obligations on the Company in relation to the Proposed Acquisition but is legally binding on the parties as to other obligations under the New Framework Agreement.

In consideration for the granting of such exclusive right, a refundable earnest money of HK$30 million shall be payable to the Vendors upon signing of the New Framework Agreement. If the formal agreement is entered into, the Company will comply with the GEM Listing Rules with respect to disclosure and approval requirements in relation to the formal agreement.

CAPITAL REORGANISATION

The Directors proposed to reorganize the capital of the Company in the following manner:

1. the par value of each issued Share of HK$0.10 will be reduced to HK$0.01 by canceling paid-up capital to the extent of HK$0.09 on each issued Share; and

2. each authorized but unissued Share will be subdivided into 10 New Shares of HK$0.01 each.

CONDITIONS FOR CAPITAL REORGANISATION

The Capital Reorganisation is conditional upon the following:

(1) the passing of the necessary resolutions by the Shareholders to approve the Capital Reorganisation at the EGM;

(2) the Court approving the Capital Reduction and compliance with any conditions the Court may impose; and

(3) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares in issue.

REASONS FOR CAPITAL REORGANISATION

As at 31 December 2007, the Company had accumulated losses of approximately HK$60.3 million. It is expected that the accumulated losses of the Company will be eliminated after the Capital Reorganisation. It will therefore facilitate any dividend payment by the Company as and when appropriate in the future.

The reduced par value of the New Shares will give the Company greater flexibility in pricing any future issue of shares. Therefore the Directors consider that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

FINANCIAL REVIEW

For the three months period ended 30 June 2008, the unaudited consolidated turnover of the Group from continuing operations was approximately HK$86.60 million and none for the corresponding period in 2007. The unaudited loss attributable to shareholders for the three months ended 30 June 2008 amounted to approximately HK$4.05 million.

For the six months ended 30 June 2008, the turnover approximately HK$171.42 million represents approximately HK$161.14 million from the business of automobile stamping and welding and HK$10.28 million from the business of radio trunking systems software integration. As a new business of the automobile stamping and welding was introduced into the Group since September 2007, there is no comparative figure for the corresponding period in 2007. No turnover of continuing operations from the business of radio trunking systems integration for the corresponding period in 2007 because the business of software was formed in the second half of the last year.

During the period, the Group obtained approximately HK$7.6 million other income represents the sales of scrap raw materials attributable to the Group of approximately HK$6.4 million from the business of automobile stamping and welding. During the period, the group generated approximately HK$901 thousand interest income. The corresponding period in last year, other revenue represented cash on disposal of fixed assets, and written back upon termination of share option scheme. During the period, the gain from the disposal of business in hardware of radio trunking systems integration was HK$1.4 million.

Distribution costs mainly represents delivery cost for production of automobiles parts business and no distribution costs were incurred from the business of radio trunking systems software integration, as no relevant business operated during the period in last year.

Administrative expenses increased by HK$22.35 million to HK$28.38 million was attributed to extra administrative expenses brought from the new business automobile stamping and welding of approximately HK$5.45 million, including staff cost, social insurance for all staff and labour of the JV and operation expenses amount to HK$1.3 million, HK$1.71 million and HK$2.44 million respectively, unrealized loss on financial assets at fair value through profit or loss of approximately HK$8.48 million and increase in wages and other operating expenses, excluding the JV, of approximately HK$8.42 million.

Finance cost for the period of approximately HK$1.23 million represents bank loan interest attributable to the Group of approximately HK$751 thousand, interest from financing from financial institution approximately HK$83 thousand and interest on deferred payment approximately HK$405 thousand.

As a result, the loss attributable to shareholder of HK$19.08 million for the period increased by approximately HK$10.70 million in losses as compared to corresponding in last year.

The gain from the disposal of subsidiaries was HK$1.4 million. Principal business of the subsidiaries was radio trunking system integration.

LIQUIDITY AND FINANCIAL RESOURCE

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 2008, the Group has a gearing ratio of 12% (31 December 2007: 3%), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total bank and cash balances was HK$122.65 million (31 December 2007: HK$174.40 million) with HK$30.79 million borrowings as at 30 June 2008 (31 December 2007: HK$7.75 million). 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 2008, the Group's available credit facilities approximately amounted to HK$45.45 million was in trade line.

CAPITAL STRUCTURE

Save as disclosed above, there was no change to the Group's capital structure during the six months ended 30 June 2008.

CHARGE ON GROUP ASSETS

As at 30 June 2008, a motor vehicle with carrying amount of HK$3.9 million is pledged to a finance company for a loan amount to approximately HK$2 million (31 December 2007: HK$3 million) with maturity periods not exceeding 4 years.

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 2008, the Board was not aware of any material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed a workforce of approximately 1,141, the majority of whom were employed in the PRC. Staff cost for continuing operations, including directors' remuneration, amounted to approximately HK$14.43 million for the six months ended 30 June 2008. 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 ACQUISITION OF ASSETS

Production and Sales of Ferro-Silicon and Ferro-Alloys in Wuhai, Inner Mongolia

On 25 June 2008, the Purchaser, a wholly owned subsidiary of the Company, entered into the Framework Agreement with the Vendors in relation to the proposed acquisition of the issued share capital of the Target. The Target Group is principally engaged in the production and sales of ferro-silicon and ferroalloys in Wuhai, Inner Mongolia, the PRC ("the Business").

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The Framework Agreement does not create legally binding obligations on the Purchaser in relation to the Proposed Acquisition but is legally binding on the parties as to other obligations under the Framework Agreement. The Proposed Acquisition is subject to the negotiation and execution of a formal sale and purchase agreement between the parties. The consideration for the Proposed Acquisition will be determined after further negotiations.

Under the Framework Agreement, the Vendors has given the Purchaser an exclusive right for a period of three months starting from the date of the Framework Agreement subject to an extension of further three months at the request of the Purchaser to finalise the formal agreement and during such exclusive period the Vendors shall not directly or indirectly negotiate or agree with any other party in relation to the Proposed Acquisition or the Business. In consideration for the granting of such exclusive right, a refundable earnest money of HK$20 million will be paid to the Vendors upon signing of the Framework Agreement. If the parties do not enter into the formal agreement prior to expiry of the said exclusive period, the Vendors shall forthwith return the earnest money to the Purchaser without interest and the Framework Agreement shall terminate. If the formal agreement is entered into, the Company will comply with the GEM Listing Rules with respect to disclosure and approval requirements in relation to the formal agreement.

Proposed Acquisition of Mining Business

Reference is made to the Company's announcement dated 31 March 2008 in relation to the Chongyi Framework Agreement dated 31 March 2008 on the proposed acquisition of a silver and lead mine located at Chongyi County, Jiangxi Province, PRC. As no formal agreement was entered into, the Chongyi Framework Agreement was terminated on 30 June 2008 by mutual agreement of the parties thereto.

On 30 June 2008, the Group and the Vendors entered into the New Framework Agreement in relation to the proposed acquisition of the entire issued share capital of the Target. Upon completion of the Target Group's reorganization, the Target Group will become the owner of a mining business in the PRC which consists of the mining rights over the Mine and related production facilities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules). The Vendors are the same vendors under the Chongyi Framework Agreement.

The consideration for the Proposed Acquisition will be determined after further negotiations and with reference to the value of the Mine.

Under the New Framework Agreement, the Vendors has given the Purchaser an exclusive right for a period of three months starting from the date of the New Framework Agreement subject to an extension of further three months at the request of the Purchaser to finalise the formal agreement and during such exclusive period the Vendors shall not directly or indirectly negotiate or agree with any other party in relation to the Proposed Acquisition or any rights of the Mine. In consideration for the granting of such exclusive right, a refundable earnest money of HK$30 million shall be payable to the Vendors upon signing of the New Framework Agreement. If the formal agreement is entered into, the Company will comply with the GEM Listing Rules with respect to disclosure and approval requirements in relation to the formal agreement.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Disposal of Radio trunking systems integration hardware business

On 20 March 2008, the Company, as the vendor, entered into the Sale and Purchase Agreement with the Gold Hilltop Holding Limited (Purchaser), pursuant to which the Company agreed to sell all Shares of Neolink Communications Technology (BVI) Limited ("Neolink Communications") to the Purchaser for an aggregate consideration of HK$16,000,000. On 31 March 2008, the disposal was completed.

CONSIDERATION

The Consideration is HK$16,000,000 which shall be payable by the Purchaser to the Company (or as it may direct) in the following manner:–

(i) HK$1,600,000 in cash as non-refundable deposit and part payment of the Consideration upon signing of the Sale and Purchase Agreement;

(ii) HK$7,200,000 in cash on or before 30 June 2008; and

(iii) HK$7,200,000 (being the balance of the Consideration) in cash on or before 30 September 2008.

The Consideration is arrived at after arm's length negotiation between the Company and the Purchaser and by reference to the audited net asset value of Neolink Communications as at 31 December 2007 prepared in accordance with HKFRSs issued by HKICPA.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall give a promissory note in favour of the Company based on which the Purchaser promises to pay to the Company the sum of HK$14,400,000 by two instalments of HK$7,200,000 each on 30 June 2008 and 30 September 2008 respectively with interest on the balance for the time being outstanding payable on the above dates at the rate of 5% per annum and in default of any instalment to pay to the Company on demand the whole balance then unpaid with interest as specified above up to the date of payment whether or not there has been any waiver of any previous instalment.

In addition, the Purchaser shall execute a share charge by way of first fixed charge over the Sale Shares, including but not limited to all dividend paid or payable thereon, to the Company as continuing security for the payment and discharge of the sum owed by the Purchaser to the Company.

Radio trunking business has long been the integral part in the development of the Group. The professional hardware product has narrowed its market, and order from major customer can greatly affect the performance of the result of this business, thus restricting the overall growth of the Group's business in a certain extent. In order to get rid of the above averse factors, starting from early 2008, the Group has started to make firm adjustment to its strategy and dispose the said business. It is believed that after the integration, the Group will take a more active roll in business expansion and marketing, and will have a broader market.

The Disposal would allow the Group to dispose of a losing operation and improve its financial performance. In addition, it has been the Group's strategy to actively explore and diversify into other business areas in order to improve Shareholders' return. After the Disposal, the Group will continue to seek opportunities in automobile related and other industries which can enhance Shareholders' value. Having considered that (i) the Disposal is in line with the Group's strategy; and (ii) the benefits which are expected to accrue to the Group as a result of the Disposal, the Directors consider the Disposal and the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

As at 30 June 2008, 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 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	31.08%

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 31.08% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2008, none of the Directors or Chief Executives 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.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2008, the following persons (other than the Director and the Chief Executive of the Company) had an interest and a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Infonet *(Note 1)*	Corporate	363,040,296	31.08%
Harbour Smart Development Limited ("Harbour Smart") *(Note 2)*	Corporate	363,040,296	31.08%
Mr. Wang Yuan *(Note 3)*	Corporate	363,040,296	31.08%

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.

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 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 has interest in the Company through their shareholdings of 19.93% in Infonet.

Save as disclosed above, as at 30 June 2008, 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 interests or short positions in the Shares and underlying Shares of the Company that was required to be recorded under Section 336 of the SFO.

SHARE OPTION SCHEME

The old share option scheme adopted in 2003 was terminated on 14 January 2007. All outstanding options granted under the old share option scheme were cancelled upon termination thereof.

The Company adopted a new share option scheme on 30 July 2007 ("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 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 the Group, any consultant, adviser, agent, supplier, customer, business partner or 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 Shares 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 adoption the Scheme.

Pursuant to the Scheme, as at 30 June 2008, the employees and consultants 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 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2008	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	38,960,000	–	–	–	–	38,960,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Consultants	58,440,000	–	–	–	–	58,440,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Total	97,400,000	–	–	–	–	97,400,000			

None of the employees and consultants of the Group had exercised their share options during the period ended 30 June 2008.

The total number of Shares available for issue under the Scheme as at the date hereof was 97,400,000 representing approximately 8.34% of the issued share capital of the Company.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 30 June 2008, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 2008.

AUDIT COMMITTEE

The audit committee has been established since July 2000 with defined terms of reference, which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa, Joshua (Chairman), Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The Group's unaudited results for the six months ended 30 June 2008 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 three months ended 30 June 2008.

On behalf of the Board
Neolink Cyber Technology (Holding) Limited
Stephen William Frostick
Executive Director

Hong Kong, 13 August 2008

As at the date hereof, the Board of directors of the Company comprises two executive directors, being Mr. Cai Zuping and Mr. Stephen William Frostick; and three independent non-executive directors being, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua.