

| Interim Report 2003 |



**Asian Information Resources  
(Holdings) Limited**

(Incorporated in the Cayman Islands with limited liability)

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

## RESULTS

The board of directors (the "Board") of Asian Information Resources (Holdings) Limited (the "Company") present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th June 2003 together with the comparative figures for the corresponding periods in 2002 as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	210	394	555	721
Cost of services and merchandise sold		(1)	(73)	(22)	(113)
Content and project development costs		-	(60)	-	(60)
Interest income		52	128	107	308
Selling expenses		-	-	-	(2)
Employee costs		(2,478)	(1,541)	(4,926)	(4,169)
Operating lease rental expenses		(530)	(479)	(1,068)	(1,288)
Other operating expenses		(1,309)	(1,182)	(2,501)	(2,764)
Provision for doubtful debts		-	(57)	-	(57)
Provision for doubtful loans receivable written back		-	5,660	-	5,660
Depreciation and amortization		(96)	(134)	(170)	(312)
(Loss)/profit from operations		(4,152)	2,656	(8,025)	(2,076)
Finance costs		(1)	(142)	(3)	(323)
Other gain on long term investments		-	-	300	-
(Loss)/profit before taxation		(4,153)	2,514	(7,728)	(2,399)
Taxation	3	-	(9)	-	(26)
(Loss)/profit after taxation but before minority interests		(4,153)	2,505	(7,728)	(2,425)
Minority interests		188	-	188	14
(Loss)/earnings attributable to shareholders		(3,965)	2,505	(7,540)	(2,411)
(Loss)/earnings per share					
- Basic	4	(0.83 cent)	0.53 cent	(1.58 cent)	(0.51 cent)
- Diluted			0.52 cent		

## CONSOLIDATED BALANCE SHEET

		<b>Unaudited As at 30th June 2003 HK\$'000</b>	As at 31st December 2002 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets	7	<b>8,393</b>	748
Educational & cultural facilities construction in progress	7	<b>40,614</b>	–
Negative goodwill	7	<b>(2,697)</b>	–
		<b>46,310</b>	748
<b>Current assets</b>			
Accounts receivable	5	<b>144</b>	177
Prepayments and deposits		<b>863</b>	731
Loans receivable		–	3,113
Cash and bank balances		<b>24,408</b>	27,116
		<b>25,415</b>	31,137
<b>Current liabilities</b>			
Accounts payable	6	<b>498</b>	512
Accruals and other payables		<b>4,311</b>	4,047
Receipts in advance		<b>293</b>	223
Amount due to related companies		<b>182</b>	182
Amount due to a minority shareholder of a subsidiary	7	<b>44,330</b>	–
Taxation payable		<b>3</b>	4
		<b>49,617</b>	4,968
<b>Net Current (Liabilities)/Assets</b>		<b>(24,202)</b>	26,169
<b>Total assets less current liabilities</b>		<b>22,108</b>	26,917
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		<b>47,624</b>	47,624
Reserve		<b>113,727</b>	113,727
Accumulated losses		<b>(142,340)</b>	(134,800)
<b>Shareholders' funds</b>		<b>19,011</b>	26,551
<b>Minority interests</b>		<b>3,097</b>	366
		<b>22,108</b>	26,917

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited Six months ended 30th June 2003 HK\$'000</b>	<b>Unaudited 2002 HK\$'000</b>
Net cash outflow from operating activities	<b>(4,518)</b>	(667)
Net cash inflow from investing activities	<b>164</b>	17,722
Net cash (outflow)/inflow before financing activities	<b>(4,354)</b>	17,055
Net cash inflow/(outflow) from financing activities	<b>1,649</b>	(13,929)
(Decrease)/Increase in cash and cash equivalents	<b>(2,705)</b>	3,126
Cash and cash equivalents at 1st January	<b>27,116</b>	29,599
Effect of foreign exchange rate changes	<b>(3)</b>	(79)
Cash and cash equivalents at 30th June	<b>24,408</b>	32,646
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>24,408</b>	32,646

**CONSOLIDATED STATEMENT SHOWING MOVEMENTS IN EQUITY**

Consolidated Statement of Changes in Equity for the six months ended 30th June 2003 (unaudited) and the six months ended 30th June 2002 (unaudited):

	Share Capital HK\$'000	Share Premium HK\$'000	Capital Redemption Reserve HK\$'000	Accumulated Loss HK\$'000	Capital Reserve HK\$'000	Total HK\$'000
As at 1st January 2002	47,624	86,907	800	(129,948)	26,020	31,403
Loss for the period	-	-	-	(2,411)	-	(2,411)
As at 30th June 2002	<b>47,624</b>	<b>86,907</b>	<b>800</b>	<b>(132,359)</b>	<b>26,020</b>	<b>28,992</b>
As at 1st January 2003	47,624	86,907	800	(134,800)	26,020	26,551
Loss for the period	-	-	-	(7,540)	-	(7,540)
As at 30th June 2003	<b>47,624</b>	<b>86,907</b>	<b>800</b>	<b>(142,340)</b>	<b>26,020</b>	<b>(19,011)</b>

**NOTES:**
**1. Basis of preparation and accounting policies**

The unaudited consolidated interim accounts have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") Number 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted in the interim financial statements are consistent with those followed in the audited statements for the year ended 31st December 2002, except for the following new SSAP which is effective for the first time for the current year's interim financial statements:

*SSAP 12 (Revised): Income Taxes*

The adoption of SSAP 12 has no material effect on amounts reported in the current or prior accounting periods.

**2. Turnover**

	For the three months ended 30th June		For the six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Content solution services				
– distribution fees	71	128	181	254
– project fees	57	138	130	231
Internet solution service fees	82	128	244	236
Total turnover	<b>210</b>	394	<b>555</b>	721

Segmental information

(a) Business segments

	Content Solution		IT enabling Technology		Strategic Investment		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
Sales to external customers	311	485	244	236	-	-	555	721
OTHER REVENUE								
Provision for doubtful loans receivable written back	-	-	-	-	-	5,660	-	5,660
LOSS FROM OPERATIONS								
Segment results	(1,600)	(2,694)	(940)	(538)	(346)	5,591	(2,886)	2,359
Unallocated expenses							(5,246)	(4,743)
Interest income							107	308
Interest expense							(3)	(323)
Other gain on long term investments							300	-
Taxation							-	(26)
Loss after taxation but before minority interests							(7,728)	(2,425)
Minority interests							188	14
Loss attributable to shareholders							(7,540)	(2,411)
Depreciation & amortisation	47	189	95	97	28	26	170	312

(b) Geographical segments

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	555	616
Other Asian Countries*	-	105
Total turnover	555	721

\* Other Asian countries include Taiwan and the People's Republic of China

3. Taxation

	For the three months ended 30th June		For the six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	-	-	-	-
The People's Republic of China (the "PRC") enterprise income tax	-	9	-	26

No provision for Hong Kong profits tax has been made as the Group had no assessable profit during the six months ended 30th June 2003 (2002: Nil).

The PRC enterprise income tax for the representative offices operating in the PRC has been provided at the rate of 33% on deemed net profit for the period based on total expenditures incurred by these representative offices.

Guangzhou Air Network Company Limited is a new-and-high technology enterprise established in the New-and-High Technology Development Zone and is subject to the PRC enterprise income tax at a rate of 15%. Other subsidiaries established and operating in the PRC are subject to the PRC enterprise income tax at a rate of 33%. All the PRC subsidiaries were in a loss position during the six months ended 30th June 2003.

No profits tax was provided for the Company and its subsidiaries operating outside Hong Kong and the PRC as they either were not subject to taxation in their respective jurisdiction of operations or were still in a tax loss position as at 30th June 2003.

4. Loss/Earnings per share

The calculation of basic loss per share for the three months and six months ended 30th June 2003 was based on the loss attributable to shareholders of approximately HK\$3,965,000 and HK\$7,540,000 and the weighted average of approximately 476,237,000 ordinary shares in issue during the periods.

The calculation of diluted earnings per share for the three months ended 30th June 2002 was based on the profit attributable to shareholders of approximately HK\$2,505,000 and the weighted average of approximately 479,689,000 ordinary shares in issue during the periods. Diluted earnings per share for three months ended 30th June 2003, six months ended 30th June 2003 and its corresponding period ended 30th June 2002 was not calculated because the potential ordinary shares were anti-dilutive during the periods.



5. Accounts Receivable

	<b>As at 30th June 2003 HK\$'000</b>	As at 31st December 2002 HK\$'000
Ageing analysis of the Group's receivable as at 30th June 2003 was as follows:		
0 – 30 days	41	79
31 – 60 days	2	10
61 – 90 days	22	9
91 – 150 days	54	684
Aged over 150 days	<u>1,126</u>	<u>506</u>
	<b>1,245</b>	1,288
Less: Provision for doubtful debts	<u>(1,101)</u>	<u>(1,111)</u>
	<b><u>144</u></b>	<b><u>177</u></b>

The credit terms granted by the Group to a customer are determined on a case-by-case basis with reference to the size of sales contracts, recurrent sales with the customers and their credit history. Overall, the Group adopts a credit policy which allows it to adapt to the market conditions and at the same time minimize the credit risk of the Group. In practice, according to the Group's accounting policy, all accounts receivable with age over 90 days are regarded as doubtful and provision will be made accordingly.

6. Accounts Payable

	<b>As at 30th June 2003 HK\$'000</b>	As at 31st December 2002 HK\$'000
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 150 days	–	169
Aged over 150 days	<u>498</u>	<u>343</u>
	<b><u>498</u></b>	<b><u>512</u></b>

**7. Assets acquired and liabilities assumed from acquisition**

During the six months ended 30th June 2003, the Group acquired 40.8% effective interests in Union Resources (Educational Development) Limited and its subsidiary from independent third parties. Details of the assets acquired and liabilities assumed as at 12th April 2003 were as follows:

	<i>HK\$'000</i>
Fixed assets	7,740
Educational & cultural facilities construction in progress	40,553
Amount due to a minority shareholder of a subsidiary	<u>(42,677)</u>
	5,616
Share of net asset value by minority interest	<u>(3,325)</u>
	2,291
Negative goodwill on acquisition	<u>(2,697)</u>
Consideration	<u>(406)</u>
Satisfied by:	
Transfer of 20% interest in Lecture Kit Company Limited	<u>(406)</u>

**8. Comparative figures**

Certain prior period comparative figures have been reclassified with the adoption of Statements of Standard Accounting Practice No.26 issued by Hong Kong Society of Accountants and in conformity with the current period's presentation.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2003 (2002: Nil).

## **RESERVES**

There has been no transfer to or from reserves during the six months ended 30th June 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The total turnover of the Group for the six months ended 30th June 2003 was approximately HK\$555,000 (2002: HK\$721,000) which was decreased by 23% as compared to that of the same period of last year. The decrease in turnover was mainly due to the persistent sluggish Internet solution and content services market.

During the six months ended 30th June 2003 reporting period, the Group continued to adopt effective but prudent cost rationalisation and resources internalisation measures as mentioned in the First Quarterly Report of 2003. As a result, the unaudited consolidated loss from operations for the six months ended 30th June 2003 is further reduced by 0.4% to approximately HK\$8,025,000, as compared with the corresponding period of last year if the non-recurrent other income approximately amounted to HK\$5,660,000 is excluded. Operating lease rental expenses and other operating expenses were reduced by 17% and 8% to approximately HK\$1,068,000 and HK\$2,541,000 respectively. The Group will continue to be vigilant in controlling operating costs and maintaining operational efficiency with a view to optimizing the profitability of the Group.

### **Liquidity, Financial Resources and Capital Structure**

The Group generally financed its operations with its internally generated cash flows and remaining net proceeds from the placing of shares. As at 30th June 2003, the Group has cash balance of approximately HK\$24,408,000 (2002: HK\$27,116,000).

The Group continues to adopt a conservative treasury policy with all bank deposits either in Hong Kong Dollars and United States Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

There was no change in the capital structure of the Group as at 30th June 2003 as compared with that as at 30th June 2002.

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

Apart from the acquisition mentioned in Note 7 above, the Group has no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30th June 2003.

## **Gearing Ratio**

As at 30th June 2003, the gearing ratio, expressed as a percentage of total borrowings over total assets, was zero (31st December 2002: 0%).

## **Employee and Remuneration policies**

As at 30th June 2003, the Group employed a total of 45 employees. The management believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and mandatory provident fund scheme, staff benefits include medical scheme, share options and performance bonus. The Group's remuneration policies are in line with prevailing market practices.

## **Contingent liability**

During the year ended 31st December 2002, the Group lodged a claim against a former landlord in relation to a fire accident that occurred in the Group's former office premises in June 2000 for compensation of HK\$1,764,000 that the Group had previously paid out to a deceased employee as employees compensation. The former landlord filed a counterclaim against the Group for approximately HK\$807,000. The litigation is still in process as at 30th June 2003. This case has been agreed with the defendant to be stayed because of other litigations dealing with the same facts are also currently in process (Please see the claims filed by family members of a deceased employee of the Group and family members of a deceased individual unrelated to the Group below), and resolution of such similar litigations may have legal cost saving implications for this case. After seeking legal advices and considering the information available to the Group in relation to the alleged claim, the directors of the Company consider that the claim from the former landlord is not likely to succeed and no provision has therefore been made in the accounts.

In March 2003, certain individuals (representing family members of a deceased employee of the Group and family members of a deceased individual unrelated to the Group) filed claims against the Group for compensation in relation to the aforementioned fire accident that has occurred in the Group's former office premises. The former landlord of the Group mentioned above is also a co-defendant to these proceedings. After taking into account the employees compensation already paid to these claimants, the total net amount claimed is approximately HK\$5,337,000. The litigation is still in process as at 30th June 2003. After seeking legal advices and considering the information available to the Group in relation to the alleged claims, the directors of the Company consider that the case is still at an early stage of the proceedings and they consider the chance of the Group to incur significant obligation out of these claims are remote.

### **Seasonality or cyclicity of interim operations**

The Group's operations are not materially affected by seasonal or cyclical factors.

### **Unusual items affecting assets, liabilities, equity, net income or cash flows**

There are no unusual items affecting the Group's assets, liabilities, equity, net income or cash flows.

### **Change in estimates of amounts reported in prior and current interim period**

The Group did not record any changes in estimates of amounts reported in prior periods of the current financial year or change in estimates of the amount reported in prior financial years.

### **Material subsequent events not reflect in the interim financial statements**

There was no material subsequent events not reflected in the Group's interim financial statements for the six months ended 30th June 2003.

## **OPERATION REVIEW**

### **Content Division**

Turnover of this division during the six months ended 30th June 2003 has dropped by 36% as compared with the corresponding period of last year to approximately HK\$311,000. It was mainly due to the prolonged depression of the Internet market that hindered the development of the business. The Group is dedicated to developing its content licensing business and consultancy services business by making use of its enhanced database particularly on a number of fast-growing industries.

### **Internet Solution Service Division**

During the six months ended 30th June 2003, even though the web building, web hosting and web maintenance market remained sluggish and the price competitions were fierce, the Group was capable of maintaining the turnover of the Internet Solution Service Division at approximately HK\$244,000, representing a slight growth by 3% when compared with that of the corresponding period of last year. It was mainly due to the continuous enhancements in the services we rendered and the expansion in professional IT workforce during the reporting period.

In addition, the Group continued to develop enterprise solutions to cater for the specific market needs and the progresses are positive. It is expected that the Internet Solution Service Division will make a considerable contribution to the Group's turnover and profit when these solutions are launched in the market.

## **Strategic Investment**

During the six months ended 30th June 2003, the Group had entered into an agreement to exchange 51% shares of Union Resources (Educational Development) Limited (“UR”) for 20% of shares of a Group’s wholly owned subsidiary – Lecture Kit Company Limited. Following the completion in consolidating certain infrastructure and facilities of the campus owned by UR at the outskirts of Beijing, certain courses are expected to launch in the market later this year. The management believes that this investment can enhance the long-term profitability of the Group.

As mentioned in the First Quarterly Report 2003, the Group will keep on investigating the feasibility of investing in a number of synergic and fast growing projects in the telecommunication, e-logistics, and educational industry. Conversely, the management continues to seek divestment opportunity for non-core investments. The Group has reached an agreement to further dispose of its partial interests in Knowledge Base group, which held the Advantage Mortgage group of companies that operated an e-commerce platform for mortgage related services. This disposal should be completed by the end of August 2003.

## **PROSPECTS**

After undergone an intensive restructuring process, the Group had focused itself for new business prospects, while also repositioned its clientele and suppliers to more long-term reputable organizations for its core businesses. Though there were no signs of conspicuous recovery of the Hong Kong economy, through the persistent efforts and resources invested in new business prospects and opportunities, the Group had successfully incubated new business products and models, most of them are in the pre-operating development stages. It is believed that most of these products and models can be launched in the second half of Year 2003.

## **Content Division**

### *Content and Consultancy Business*

#### **Contents**

Even though the content division was still badly suffered by the general sluggishness of the market, the Group was still able to maintain and develop our target reputable customers.

In relation to the acquisition of a subsidiary, Union Resources (Educational Development) Limited, the Group had entered into an agreement with the School of Law of Fudan University (復旦大學法律系) to jointly develop the “China Professional Law Programme Series 2003” (“2003中國專業法律課程”). This programme comprises of a total of 15 areas of law, which covers most aspects of the legal system in the PRC. With the programme materials prepared by this famous university in the PRC, the Group is working on an on-line education course on chinacyberu.com. Professional certificate will be awarded to students who successfully complete the programme. It is believed that this course will be

launched in the fourth quarter of Year 2003. In addition, the Group had also had an agreement with 中國教育部對外漢語教學發展中心 to offer, by the Group, 實用中文文書測試. The Group is working out the business model of this recognized examination scheme.

China Cyber University had also collaborated with China Old Professor Association (中國老教授協會) to jointly develop a preparation manual for candidates attending Hong Kong Certificate of Education Examination. All the materials of this manual were prepared by former professors from Tsing Hua University (清華大學) and students with outstanding HKCEE results. Facilitated by the on-line learning platform, this manual will be launched in the fourth quarter of Year 2003.

### Consultancy

The Group aimed at providing value-added services to our customers that will in turn induce a better revenue stream, therefore, we realized the importance of introducing some additional elements on top of pure provision of contents. As a matter of fact, the Group is tendering a number of short to medium term consultancy projects that combines the provision of contents and commentaries by utilization of our enhanced research database.

After entering an agreement on 24th February 2003 with Credit Rating Information Services of India Limited ("CRISIL") for cooperation in the consultancy business for non-performing loans ("NPL's") in the PRC, the Group has been actively approaching the Assets Management Companies ("AMC's") and other financial institutions in the PRC's that held related NPL's in different industries.

To further strengthen our consultancy business, the Group is negotiating with some international consultancy firms for the feasibility to form strategic alliances. One of these firms is at the final stage to enter into collaboration.

### IT Enabling Technology

#### *Development of Integrated e-Logistics Platform*

As mentioned in the Annual Report of Year 2002, the Group has been investing considerable resources in the development of an e-logistics platform. Module such as the Advanced Freight Forwarder System of this platform has been developed. This system is now undergoing the final live data test-runs with one of our clients that has over 10 offices throughout the PRC. Customization is required for each individual customer for this system which includes Freight Import & Export, Documentation Management, Quotation, Trace and Track, Finance, General Maintenance and Automated Manifest System (for US Customs) sub-modules. The other modules will be hopefully completed for launch by the second quarter of Year 2004. These modules can be functioned individually as a whole and at the same time integrated with each other. Some of them can be launched into the market in the third or fourth quarter of Year 2003.

Furthermore, the Group was finalizing the negotiation for collaboration with a renowned university in Hong Kong to carry out an in-depth research and development of the e-logistics platform, so as to increase its compatibleness and general acceptance by the SME's.

#### *Development of a Logistics Network in South East Asia*

A lot of prospective users in the logistics industries found our technological support valuable for exploring the market and increasing their operational efficiencies. As a result, many of them negotiated with the Group for more-in-depth cooperation through integrations, mergers and acquisitions. With the relaxation of capital and operational restrictions on a number of industries, like logistics after the signing of CEPA, the Group will, likely in the early fourth quarter of this financial year, enter into an investment in a logistics network which has an extensive network coverage in the whole PRC.

#### **Strategic Investment**

##### *Educational Services*

As mentioned in the first quarter report of Year 2003, Putonghua Proficiency Training Course (普通話語文能力培訓課程), co-organised with a renowned PRC university will be launched in the third quarter of Year 2003. Up to the date of this report, the course was launched and encouraging results and feedbacks were received. The Group will continue to organize such short-term educational courses so as to build up the Group's reputation in the education and on-line education market.

Besides the on-line education portal of Cyber University mentioned above, the Group acquired an investment by way of share exchange that the investment held an educational facility at the outskirts of Beijing. Since acquired, the Group has been allocating resources in setting up the infrastructure of the facility. This involves campus infrastructure, structure cabling, backbone design, telephone and security systems, web-based back office, e-learning management system, virtual classroom, library management system and sports complex management system. In addition, in order to speed up the development, the Group has also entered into a cooperation with China Institute of Defence, Science and Technology (中國防衛科技學院) in Beijing, for provision of a blended mode of educational services (on-line education supported by classroom based education) to the students in the PRC. Students will be recruited in the early fourth quarter of this financial year and revenue will then be generated.



## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

### **Long Positions in shares**

No long positions of Directors and the Chief Executive of the Company in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### **Long Positions in underlying shares**

No long positions of Directors and the Chief Executive of the Company in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### **Long Positions in debentures**

No long positions of Directors and the Chief Executive of the Company in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### **Short Positions in shares**

No short positions of Directors and the Chief Executive of the Company in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### **Short Positions in underlying shares**

No short positions of Directors and the Chief Executive of the Company in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2003, the following persons (other than the Directors and the Chief Executives of the Company) had interests and short positions in the shares or underlying shares of the Company that are required to be recorded in the register required to be kept under Sections 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

### Long Positions in shares of the Company

Name	Capacity	Nature of interest	Number of shares	Shareholdings
Asian Dynamics International Limited	Beneficial owner	Corporate	264,934,000	55.63%
Aldgate Agents Limited	Beneficial owner	Corporate	66,120,000	13.88%
New World CyberBase Limited	Interest of a controlled corporation	Corporate	66,120,000	13.88%

*Note:* Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited and Glamour House Limited.

Aldgate Agents Limited is a wholly-owned subsidiary of New World CyberBase Limited. Their interests in the shares of the Company duplicate with each other.

### Long Positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

### Short Positions in shares of the Company

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

### Short Positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30th June 2003, the Company had not been notified of any other person (other than a Director or Chief Executive of the Company) who had an interest or short position in the shares and underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its listed securities during the six months ended 30th June 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30th June 2003.

### **COMPETING INTERESTS**

Pursuant to Rule 11.04 of the GEM Listing Rules, as at 30th June 2003, the interest of each director, management shareholder (as defined in the GEM Listing Rules) and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group is set out below:

<b>Substantial Shareholder</b>	<b>Entity that competes or may compete with business of the Group</b>	<b>Competing business of the entity</b>
New World CyberBase Limited	New World CyberBase Limited	Provision of total e-Business solutions including software products, application total solutions and information technology services in the Greater China Region

Save as disclosed above, none of the directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

### **AUDIT COMMITTEE**

In compliance with Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee comprising two independent non-executive directors and has adopted the terms of reference governing the authorities and duties of the audit committee. The present members of the audit committee are Mr. Lam Tze Ling and Mr. Law Shiu Kai Andrew. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the "Board Practices and Procedures" as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period.

By Order of the Board

**Xie Xuan**

*Chairman*

Hong Kong, 11th August 2003