



Asian Information Resources (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

亞洲訊息(控股)有限公司

(於開曼群島註冊成立之有限公司)

Half-year Report 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the “Stock Exchange”)

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This report, for which the directors of Asian Information Resources (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Asian Information Resources (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

As at the date of this report, the executive directors of the Company are Mr. Xie Xuan and Mr. Ho Wing Yiu; the non-executive director is Mr. Lo Mun Lam Raymond and the independent non-executive directors are Mr. Law Shiu Kai Andrew and Mr. Wu Jixue.

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 2004 together with the comparative figures for the corresponding periods in Year 2003 as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	51,965	210	76,930	555
Cost of services and merchandise sold		(45,753)	(1)	(69,070)	(22)
Interest income		13	52	31	107
Employee costs		(3,733)	(2,478)	(7,165)	(4,926)
Operating lease rental expenses		(969)	(530)	(1,707)	(1,068)
Other operating expenses		(2,002)	(1,309)	(3,500)	(2,501)
Provision for doubtful debts written back		1,356	–	1,356	–
Depreciation and amortization		(1,022)	(96)	(1,701)	(170)
Loss from operations		(145)	(4,152)	(4,826)	(8,025)
Finance costs	3	(434)	(1)	(860)	(3)
Other income		39	–	144	–
Other gain on long term investments		–	–	–	300
Loss before taxation		(540)	(4,153)	(5,542)	(7,728)
Taxation	4	–	–	–	–
Loss after taxation but before minority interests		(540)	(4,153)	(5,542)	(7,728)
Minority interests		(927)	188	(21)	188
Loss attributable to shareholders		(1,467)	(3,965)	(5,563)	(7,540)
Loss per share – Basic	5	(0.31 cent)	(0.83 cent)	(1.17 cent)	(1.58 cent)

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As at 30th Jun 2004 HK\$'000	As at 31st Dec 2003 HK\$'000
Non-current assets			
Fixed assets		46,157	45,109
Goodwill on acquisition	8	5,918	–
Long-term investment		–	300
Investment deposit		–	2,262
		<u>52,075</u>	<u>47,671</u>
Current assets			
Accounts receivable	6	29,390	204
Amount due from related companies		10	–
Prepayments and deposits		9,311	648
Cash and bank balances		15,868	14,258
		<u>54,579</u>	<u>15,110</u>
Current liabilities			
Accounts payable	7	30,900	370
Accruals and other payables		22,651	6,177
Receipts in advance		664	276
Amount due to a related company		182	182
		<u>54,397</u>	<u>7,005</u>
Net current assets		<u>182</u>	<u>8,105</u>
Total assets less current liabilities		<u>52,257</u>	<u>55,776</u>
Financed by:			
Capital and reserves			
Share capital		47,624	47,624
Reserves		123,089	113,727
Accumulated losses		(154,972)	(149,409)
Shareholders' funds		<u>15,741</u>	<u>11,942</u>
Minority interests		<u>15,866</u>	<u>466</u>
Non-current liability			
Convertible note	3	20,650	–
Loan from a related party		–	43,368
		<u>52,257</u>	<u>55,776</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	Unaudited
	Six months ended	
	30th June	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	5,346	(4,518)
Net cash (outflow)/inflow from investing activities	(2,947)	164
Net cash inflow/(outflow) before financing activities	2,399	(4,354)
Net cash (outflow)/inflow from financing activities	(633)	1,649
Increase/(decrease) in cash and cash equivalents	1,766	(2,705)
Cash and cash equivalents at 1st January	14,258	27,116
Effect of foreign exchange rate changes	(156)	(3)
Cash and cash equivalents at 30th June	15,868	24,408
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	15,868	24,408

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the six months ended 30th June 2004 (unaudited) and the six months ended 30th June 2003 (unaudited):

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Redemption Reserve <i>HK\$'000</i>	Accumulated Loss <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st January 2003	47,624	86,907	800	(134,800)	26,020	26,551
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,540)</u>	<u>-</u>	<u>(7,540)</u>
As at 30th June 2003	<u>47,624</u>	<u>86,907</u>	<u>800</u>	<u>(142,340)</u>	<u>26,020</u>	<u>(19,011)</u>
As at 1st January 2004	47,624	86,907	800	(149,409)	26,020	11,942
Wavier of loans from a related party	-	-	-	-	9,362	9,362
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,563)</u>	<u>-</u>	<u>(5,563)</u>
As at 30th June 2004	<u>47,624</u>	<u>86,907</u>	<u>800</u>	<u>(154,972)</u>	<u>35,382</u>	<u>(15,741)</u>

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”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The accounting policies adopted in preparing the unaudited consolidated interim financial statements are consistent with those followed in the audited statements for the year ended 31st December 2003.

2. Turnover

	For the three months		For the six months	
	ended 30th June		ended 30th June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Content solution services				
– distribution fees	128	71	265	181
– project fees	60	57	120	130
Internet solution service fees	441	82	508	244
Logistics	51,331	–	76,022	–
Others	5	–	15	–
	<u>51,965</u>	<u>210</u>	<u>76,930</u>	<u>555</u>
Total turnover	<u>51,965</u>	<u>210</u>	<u>76,930</u>	<u>555</u>

2. Turnover (continued)

Segmental information

(a) Business segments

	Content Solution		IT enabling Technology		Logistics		Others		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
Sales to external customers	385	311	508	244	76,022	-	15	-	76,930	555
OTHER REVENUE										
Written back of provision for doubtful debt	-	-	-	-	1,356	-	-	-	-	-
(LOSS)/PROFIT FROM OPERATIONS										
Segment results	(527)	(1,600)	(681)	(940)	3,755	-	(1,756)	(346)	791	(2,886)
Unallocated expenses									(5,504)	(5,246)
Interest income									31	107
Interest expense									(860)	(3)
Other gain on long term investments									-	300
Loss after taxation but before minority interests									(5,542)	(7,728)
Minority interests									(21)	188
Loss attributable to shareholders									(5,563)	(7,540)
Depreciation & amortisation	39	47	59	95	499	-	1,104	28	1,701	170

2. Turnover (continued)**Segmental information** (continued)

(b) Geographical segments

	Six months ended 30th June	
	2004 HK\$'000	2003 HK'000
Hong Kong	908	555
Other Asian countries*	76,022	–
Total turnover	76,930	555

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

3. Finance cost

The finance costs represent the interest expenses for the convertible note with a face value of HK\$20,650,000 issued to the minority shareholder of a subsidiary of the Company ("Minority Shareholder"), in return the loans from the Minority Shareholder were waived. The convertible note is unsecured, bears interest at 0.65% per month, and is convertible into share of Lecture Kit Company Limited ("LK"), a 80% owned subsidiary of the Company, within 12 months from proposed listing of the shares of LK, or is repayable upon maturity of the convertible note in January 2006 if not converted.

4. Taxation

	For the three months ended 30th June		For the six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	–	–	–	–
The People's Republic of China (the "PRC") enterprise income tax	–	–	–	–
	–	–	–	–

No provision for Hong Kong profits tax has been made as the Group had no assessable profit during the six months ended 30th June 2004 (2003: Nil).

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 2004.

5. Loss per share

The calculation of basic loss per share for the three months and six months ended 30th June 2004 was based on the loss attributable to shareholders of approximately HK\$1,467,000 and HK\$5,563,000 and the weighted average of approximately 476,237,000 ordinary shares in issue during the periods.

Diluted loss per share for three months ended 30th June 2004, six months ended 30th June 2004 and its corresponding period ended 30th June 2003 was not calculated because the potential ordinary shares were anti-dilutive during the periods.

6. Accounts ReceivableContent solution and Internet solution business

	As at 30th Jun 2004 HK\$'000	As at 31st Dec 2003 HK\$'000
Ageing analysis of the Group's receivable as at 30th June 2004 was as follows:		
0 – 30 days	113	149
31 – 60 days	5	3
61 – 90 days	9	3
91 – 150 days	3	–
Aged over 150 days	1,180	1,144
	1,310	1,299
Less: Provision for doubtful debts	(1,095)	(1,095)
	215	204

6. Accounts Receivable *(continued)*Logistics business

As at
30th Jun 2004
HK\$'000

Ageing analysis of the Group's receivable as
at 30th June 2004 was as follows:

0 – 90 days	21,779
91 – 180 days	5,555
181 – 360 days	1,728
Aged over 360 days	2,051
	31,113
Less: Provision for doubtful debts	(1,938)
	29,175

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 in the content solution and Internet solution business sector with age over 90 days are regarded as doubtful and provision will be made accordingly.

7. **Accounts Payable**Content solution and Internet solution business

	2004	2003
	As at	As at
	30th Jun 2004	31st Dec 2003
	HK\$'000	HK\$'000
Ageing analysis of the Group's payable as at 30th June 2004 was as follows:		
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 150 days	–	–
Aged over 150 days	370	370
	370	370

Logistics business

	As at
	30th Jun 2004
	HK\$'000
Ageing analysis of the Group's payable as at 30th June 2004 was as follows:	
0 – 12 months	29,020
13 – 15 months	937
16 – 18 months	573
19 – 20 months	–
Aged over 20 months	–
	30,530

8. Assets acquired and liabilities assumed from acquisition

During the six months ended 30th June 2004, the Group acquired 60% effective interests in Ever-OK International Forwarding Co., Ltd. ("Everok") from independent third parties. Details of the assets acquired and liabilities assumed as at 25th February 2004 were as follows:

	<i>HK\$'000</i>
Fixed assets	1,188
Current assets	38,382
Current liabilities	(42,440)
	<u>(2,870)</u>
Capital injection	7,359
Share of net asset value by minority interest	(1,796)
	<u>2,693</u>
Goodwill on acquisition	6,175
	<u>8,868</u>
Consideration	<u>8,868</u>
Satisfied by:	
Cash	<u>8,868</u>

9. Comparative figures

Certain prior period comparative figures have been reclassified with the adoption of SSAP No.26 issued by HKSA and in conformity with the current period's presentation.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total turnover of the Group for the six months ended 30th June 2004 was substantially increased by almost 138 times to approximately HK\$76,930,000 (2003: HK\$555,000) as compared to that of the same period of last year. The increment in turnover was mainly due to the inclusion of the operating results of February to June 2004 of the newly acquired logistics service provider specialized in freight forwarding in the PRC, Everok. The unaudited consolidated loss from operations for the reporting period is decreased by 40% to approximately HK\$4,826,000, as compared with the corresponding period of last year owing to the same reason mentioned above.

On the other hand, the employee cost, operating lease rental expenses, and depreciation expenses were increased from approximately HK\$4,926,000, HK\$1,068,000 and HK\$170,000 for the six months ended 30th June 2003 to approximately HK\$7,165,000, HK\$1,707,000 and HK\$1,444,000 respectively for the same period in Year 2004 as additional staff were recruited, more office space was rented and additional fixed assets were purchased for the businesses acquired lately.

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 2004, the Group has cash balance of approximately HK\$15,868,000 (2003: HK\$24,408,000).

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 2004 as compared with that as at 30th June 2003.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Apart from the acquisition mentioned in Note 8 above, the Group has no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30th June 2004.

Gearing Ratio

As at 30th June 2004, the gearing ratio, expressed as a percentage of total borrowings over total assets, was 19% (31st December 2003: 0%).

Employee and Remuneration Policies

As at 30th June 2004, the Group employed a total of 214 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 and performance bonus. The Group's remuneration policies are in line with prevailing market practices.

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 interim 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

References are made to the Arbitration Proceedings for Termination of Major Transaction Announcement dated 2nd July 2004 and the Settlement of Arbitration Proceedings and Resumption of Performance of Major Transaction Announcement dated 13th July 2004 in respect of a major transaction involving sale of the property by 聯合資源教育發展(燕郊)有限公司 ("UREDY") to 中防國衛(北京)防衛技術服務中心 ("CDTC") for cash (the "Transaction") under real estate property sale and purchase agreement dated 6th February 2004 (the "Sale and Purchase Agreement").

In July 2004, UREDY, a subsidiary of the Company, initiated arbitration proceedings against CDTC for its failure to complete its obligation under the Sale and Purchase Agreement to settle the second instalment of purchase price of RMB22,500,000 (equivalent to approximately HK\$21,226,000).

On 13th July 2004, UREDY reached a settlement with CDTC in relation to above-mentioned arbitration proceedings. Under the terms of the settlement agreement dated 13th July 2004 (the "Settlement Agreement"), CDTC will complete the Transaction by paying RMB43,500,000 (equivalent to approximately HK\$41,038,000) on or before 6th August 2004. Of this amount, RMB40,000,000 (equivalent to approximately HK\$37,736,000) represents the second and final instalment of the balance of the purchase price payable under the Sale and Purchase Agreement. The extra RMB3,500,000 (equivalent to approximately HK\$3,302,000) payable by CDTC represents compensation to UREDY for its loss arising from CDTC's original non-completion of the Transaction. Except as varied by the Settlement Agreement, all terms and conditions of the Sale and Purchase Agreement remain with full force and effect for performance by the parties.

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's estate as employees compensation. The former landlord filed a counterclaim against the Group for approximately HK\$807,000. After considering the information available to the Group in relation to the alleged claim and consultation with the Group's legal counsel, the directors of the Company (the "Directors") 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. The litigation in respect of the deceased individual unrelated to the Group was settled out of court in January 2004. The Group's share of compensation and related legal fee was approximately HK\$131,000, which has been charged to the profit and loss account for the year ended 31st December 2003. For the litigation in respect of the deceased employee, the gross amount claimed is approximately HK\$6,506,000. The litigation is still in process as at 30th June 2004. After seeking legal advice and considering the information available to the Group in relation to the alleged claim and taking into account the employee compensation of HK\$1,764,000 already paid by the Group to the claimant, the Directors consider the chance of the Group to incur significant obligation out of this claim is remote.

OPERATIONAL REVIEW

Content Solution

During the first half of 2004, the Group continued to cooperate with Hong Kong Trade Development Council (“TDC”) in the provision of contents and commentaries on the information and communication technology industry. Being one of the largest content partners of TDC, the Group also continued to provide the daily business news and legal news of the China market to TDC. In addition, the Group is also providing PRC legal news to TDC with a negotiation to further provide translation of selected news into English.

The implementation of Closer Economic Partnership Arrangement in January 2004 brought a number of sales needs of the China market research report to the Group.

IT Enabling Technology

Web Design and Hosting Services

The market condition of this section showed no sign of rebound and the price competition remained fierce. To broaden our revenue base, value added services including dedicated server hosting, server co-location, e-mail virus scanning service, were offered to our customers. With the effort in promoting these services, the Group had built a solid clientele base and with additional revenue inflow especially generated by dedicated server hosting service. With these enhancements in the services we rendered, the Group had also successfully repositioned this section’s clientele to large organizations like Education and Manpower Bureau, Home Affairs Bureau, The University of Hong Kong, and The Hong Kong Institute of Education.

The creative design team has been continuously upgrading over the past few months with the aim to offer cutting-edge design service to meet the fast changing market needs. The design service has been broadened to provide not only website but also graphic and corporate identity design so as to enhance the competitiveness.

Product and Technology Development

Asian Information Resources TechLogic Limited, a wholly-owned subsidiary of the Company, in collaboration with The Hong Kong University of Science and Technology (“UST”), has successfully applied for financial assistance from the Innovation and Technology Fund (“ITF”) of the Government of the HKSAR in order to develop the “Advanced Distribution and Transportation Systems: Research and Development into Interoperability and Collaborative Commerce” (先進配送和運輸系統在互通與協商商務中的研究和開發). In this project with UST, we will carry out the research and development of technologies in intelligent Decision Support System (DSS), information technology, communication technologies, integration, interoperability and collaborative methodologies in distribution and transportation decision support system. Our results will be developed into sub-systems that will be used by our industry partners and their counterparts. This will lead to an expansion of our market networks and business, and introducing cost saving effect to our operation. This project was commenced in February 2004 and will last for one year.

Strategic Investment

Logistics

Since February 2004, the Group has been incorporating the turnover and results of Everok group, a logistics group specified in freight forwarding business, into its financial statements. With the extensive distribution network of Everok group, it contributed a massive growth in the turnover of the Group.

Education

During the first half of 2004, the Group received accreditation of The Law Society of Hong Kong to provide on-line education programme for its continued professional development (“CPD”) programme. This on-line education programme is divided into different modules and has started to generate income for the Group.

PROSPECTS

IT Enabling Technology

Development of Integrated e-Logistics Platform

In February 2004, the Group, in alliance with the reputable UST, has commenced a research project with a grant from ITF of the Government of the HKSAR. The main purpose of this grant is to provide a research and development alliance to innovate and develop a comprehensive e-logistics platform to cater for the needs of the logistics sector in the Greater China region and international. This e-logistics platform is more comprehensive than our existing one in the sense that this will cover a more comprehensive range of modules to service providers in the whole logistics chain and will integrate with each other. With the expertise of the research force of UST and the enriched experience of our information technology professionals, we are confident that the product would be widely adopted by the operators in the Greater China market. This project will be complete by February 2005 and the Group will own the intellectual property of the product, which will be launched to the market by the end of Year 2004 or early Year 2005. In addition, in order to enhance the market acceptability of the product, the Group has started to use the e-logistics network on a logistics service provider, Everok, which is one of the Group's subsidiaries.

Development of a Logistics Network

In February 2004, the Group has completed all the official requirements for acquiring 60% shareholding of a logistics provider specialized in freight forwarding in the PRC, Everok. With the headquarters in Nanjing, Everok group comprises 10 branches or subsidiaries, namely Dalian, Guangzhou, Ningbo, Qingdao, Shanghai, Shenzhen, Suzhou, Tianjin, Xiamen and Hong Kong. The Group is planning to open up new branches in selected locations, so as to widen the distribution network. At the moment, we are considering a number of locations in the South East Asia and also on a global basis. As a matter of fact, the Los Angeles branch in the United States was opened in May 2004. In addition, the Group has implemented our e-logistics platform for Everok. The implementation process is expected to be completed by the third or fourth quarter of 2004. With the enlarged distribution network and the enhanced operational efficiency through the utilization of the e-logistics system, it is believed that Everok can enjoy a breakthrough in its revenue stream and income from Year 2004 onwards. As a matter of fact, Everok was just awarded a rank 18th of the China international freight forwarders 100 for the Year 2003, as elected by the China International Freight Forwarders Association. This signifies the potential of Everok group and it is believed that Everok will bring in a major line of growth to the Group.

Investment Holding

Educational Services

In July to August 2004, in alliance with East China Normal University (華東師範大學), the Group successfully launched Putonghua Proficiency Training Course (普通話語文能力培訓課程). Over 60% increase in the number of participants was recorded as compared with the same course in last year. With this successful result and experience gained, the alliance with East China Normal University will launch another study tour during Christmas period this year for language proficiency course.

In April 2003, the Group had acquired, 51% shareholding in Union Resources (Educational Development) Limited, which specializes in cultural and education services in Hong Kong and the PRC. Upholding the remarkable growth of education service in the Greater China market, the Group will, subject to the market conditions, devote more resources to develop its education services through mixtures of on-line and traditional modes. We are actively seeking suitable locations in the PRC for setting an educational facility and are identifying reputable universities to collaborate with the Group for educational services.

On the other hand, to further enhance our on-line education services, the Group had set up Hong Kong Institute of Chinese Law. In February 2004, the Group had obtained accreditation by The Law Society of Hong Kong to offer on-line Chinese law courses for the professional lawyers in Hong Kong as part of their CPD. Eyeing the mounting need for on-line education programmes to the professionals, both in Hong Kong and in the PRC, the Group will continue to develop these programmes for professional of different disciplines.

DIRECTORS' AND CHIEF EXECUTIVE'S 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 Rules 5.46 to 5.67 of The Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 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 Rules 5.46 to 5.67 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 Rules 5.46 to 5.67 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 Rules 5.46 to 5.67 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30th June 2004, the following substantial shareholders 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 Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

Long Positions in shares

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%

Notes:

Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited, Glamour House Limited, Mr. Chan Chi Ming and Mr. Chau Tak Tin.

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 substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short Positions in shares

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

Short Positions in underlying shares

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

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30th June 2004, the following persons (other than the Directors, chief executive and substantial shareholders of the Company) had interests and short positions in the shares or underlying shares of the Company that are recorded in the register required to be kept under Section 336 of SFO (Such persons to be defined hereinafter as "Other Persons").

Long Positions in shares

No long positions of Other Persons in the shares of the Company were recorded in the register.

Long Positions in underlying shares

No long positions of Other Persons in the underlying shares of equity derivatives of the Company were recorded in the register.

Short Positions in shares

No short positions of Other Persons in the shares of the Company were recorded in the register.

Short Positions in underlying shares

No short positions of Other Persons in the underlying shares of equity derivatives of the Company were recorded in the register.

MANAGEMENT SHAREHOLDER

As far as the Directors are aware of, other than Asian Dynamics International Limited, New World CyberBase Limited and Aldgate Agents Limited as disclosed above, there were no other person during the period ended 30th June 2004 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

COMPETING INTERESTS

Pursuant to Rule 11.04 of the GEM Listing Rules, as at 30th June 2004, 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:

Substantial Shareholder	Entity that competes or may compete with business of the Group	Competing business of the entity
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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30th June 2004.

TRANSACTIONS IN SECURITIES OF THE COMPANY BY DIRECTORS

During the period ended 30th June 2004, the Company has adopted a code of conduct regarding directors' transactions in securities, options of and interests in securities of the Company on terms no less exacting than the required standard of dealings (the "Required Standard of Dealings") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry to all Directors. The Directors have complied with, and there has not been any non-compliance with, the Required Standard of Dealings throughout the period.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising two independent non-executive Directors, Mr. Law Shiu Kai Andrew and Mr. Wu Jixue and has adopted the terms of reference governing the authorities and duties of the audit committee. 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 5.34 to 5.45 of the GEM Listing Rules throughout the period.

On behalf of the Board

Xie Xuan

Chairman

Hong Kong, 11th August 2004