



# 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)



## **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.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 directors are Mr. Lo Mun Lam Raymond and the independent non-executive directors are Mr. Wu Jixue, Mr. Yang Zhenhong and Mr. Zhang Daorong.*

## 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 and six months ended 30 June 2005 together with the comparative figures for the corresponding period in 2004 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	<b>68,924</b>	51,965	<b>130,516</b>	76,930
Cost of services		<b>(63,196)</b>	(45,753)	<b>(119,723)</b>	(69,070)
Gross profit		<b>5,728</b>	6,212	<b>10,793</b>	7,860
Other revenue		<b>191</b>	39	<b>404</b>	144
Interest income		<b>25</b>	13	<b>38</b>	31
Staff costs		<b>(5,249)</b>	(3,733)	<b>(10,591)</b>	(7,165)
Operating lease rentals		<b>(844)</b>	(969)	<b>(1,692)</b>	(1,707)
Other operating expenses		<b>(2,468)</b>	(2,002)	<b>(4,915)</b>	(3,500)
Write-back of provision for doubtful debts		-	1,356	-	1,356
Depreciation and amortization		<b>(3,465)</b>	(1,022)	<b>(4,457)</b>	(1,701)
Loss from operating activities		<b>(6,082)</b>	(106)	<b>(10,420)</b>	(4,682)
Finance costs	3	<b>(467)</b>	(434)	<b>(924)</b>	(860)
Loss before taxation		<b>(6,549)</b>	(540)	<b>(11,344)</b>	(5,542)
Taxation	4	-	-	-	-
Loss before minority interests		<b>(6,549)</b>	(540)	<b>(11,344)</b>	(5,542)
Minority interests		<b>(388)</b>	(927)	<b>(485)</b>	(21)
Loss attributable to shareholders		<b>(6,937)</b>	(1,467)	<b>(11,829)</b>	(5,563)
Loss per share					
- Basic	5	<b>(1.46 cents)</b>	(0.31 cent)	<b>(2.48 cents)</b>	(1.17 cents)

**CONSOLIDATED BALANCE SHEET**

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 Jun 2005</b>	31 Dec 2004
Notes		<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property plant and equipment		<b>40,233</b>	41,475
Development costs		<b>757</b>	980
Goodwill		<b>2,472</b>	4,944
		<b>43,462</b>	47,399
<b>Current assets</b>			
Accounts receivable	6	<b>35,439</b>	21,989
Amount due from related companies		<b>2,710</b>	2,340
Prepayments and deposits		<b>26</b>	26
Cash and bank balances		<b>14,953</b>	7,184
		<b>53,128</b>	31,539
<b>Current liabilities</b>			
Accounts payable	7	<b>33,003</b>	21,732
Accruals and other payables		<b>7,392</b>	6,840
Receipts in advance		<b>14,376</b>	241
Amount due to directors		<b>324</b>	345
Amount due to minority shareholder		<b>3,889</b>	–
Convertible note	3	<b>20,650</b>	–
Taxation payable		<b>2,955</b>	2,955
		<b>82,589</b>	32,113
<b>Net Current liabilities</b>		<b>(29,461)</b>	(574)
<b>Total assets less current liabilities</b>		<b>14,001</b>	46,825

	Notes	<b>Unaudited As at 30 Jun 2005 HK\$'000</b>	Unaudited As at 31 Dec 2004 HK\$'000
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		<b>47,624</b>	47,624
Reserve		<b>123,050</b>	123,050
Accumulated losses		<b>(165,572)</b>	(153,743)
		<hr/> <b>5,102</b>	<hr/> 16,931
<b>Shareholders' funds</b>			
		<b>2,705</b>	2,220
<b>Minority interests</b>			
<b>Non-current liability</b>			
Convertible note	3	–	20,650
Amount due to directors		<b>6,194</b>	4,040
Amount due to minority shareholders		–	2,984
		<hr/> <b>14,001</b>	<hr/> 46,825

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of changes in equity for the six months ended 30 June 2005 (unaudited) and the six months ended 30 June 2004 (unaudited):

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Capital Redemption Reserve</b>	<b>Capital Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2004	47,624	86,907	800	26,020	(149,409)	11,942
Waive of loans by a related party	-	-	-	9,362	-	9,362
Loss for the period	-	-	-	-	(5,563)	(5,563)
As at 30 June 2004	<u>47,624</u>	<u>86,907</u>	<u>800</u>	<u>35,382</u>	<u>(154,972)</u>	<u>15,741</u>
As at 1 January 2005	47,624	87,707	-	35,343	(153,743)	16,931
<b>Loss for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,829)</u>	<u>(11,829)</u>
<b>As at 30 June 2005</b>	<u>47,624</u>	<u>87,707</u>	<u>-</u>	<u>35,343</u>	<u>(165,572)</u>	<u>5,102</u>

## CONSOLIDATED CASHFLOW STATEMENT

	<b>Unaudited</b>	Unaudited
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>9,298</b>	5,346
Net cash outflow from investing activities	<b>(520)</b>	(2,947)
Net cash inflow before financing activities	<b>8,778</b>	2,399
Net cash outflow from financing activities	<b>(924)</b>	(633)
Increase in cash and cash equivalents	<b>7,854</b>	1,766
Cash and cash equivalents at 1 January	<b>7,184</b>	14,258
Effect of foreign exchange rate changes	<b>(85)</b>	(156)
Cash and cash equivalents at 30 June	<b>14,953</b>	15,868
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>14,953</b>	15,868

Notes:

## 1. Basis of preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong, comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 December 2004.

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 onwards. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

All significant transactions and balances within the Group have been eliminated on consolidation.

## 2. Turnover

The Group's turnover represents the invoiced value of (1) project fees from the provision of project consultancy services; (2) distribution fees from the provision of content information; (3) service fees from the provision of content information; (4) service fees from the provision of internet solution services; (5) service fees from the provision of educational content services; and (6) service fees from the provision of logistic services and excludes intra-Group transactions as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Content solution service				
– project fees	51	60	102	120
– distribution fees	210	128	411	265
Internet solution service fees	79	441	165	508
Educational content service fees	32	5	58	15
Logistic service fees	68,552	51,331	129,780	76,022
Total turnover	68,924	51,965	130,516	76,930



## (a) Business segments

	Content solution		IT enabling technology		Logistics		Education		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>										
Sales to external customers	<u>513</u>	<u>385</u>	<u>165</u>	<u>508</u>	<u>129,780</u>	<u>76,022</u>	<u>58</u>	<u>15</u>	<u>130,516</u>	<u>76,930</u>
<b>OTHER REVENUE</b>										
Written back of provision for doubtful debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,356</u>
<b>RESULTS</b>										
Segment results	<u>243</u>	<u>(527)</u>	<u>(628)</u>	<u>(681)</u>	<u>1,100</u>	<u>3,755</u>	<u>(1,311)</u>	<u>(1,756)</u>	<u>(596)</u>	<u>791</u>
Interest income									<u>38</u>	<u>31</u>
Unallocated corporate expenses									<u>(9,862)</u>	<u>(5,504)</u>
Loss from operating activities									<u>(10,420)</u>	<u>(4,682)</u>
Finance costs									<u>(924)</u>	<u>(860)</u>
Loss before and after taxation but before minority interests									<u>(11,344)</u>	<u>(5,542)</u>
Minority interests									<u>(485)</u>	<u>(21)</u>
Loss attributable to shareholders									<u>(11,829)</u>	<u>(5,563)</u>
Depreciation and amortisation	<u>126</u>	<u>39</u>	<u>271</u>	<u>59</u>	<u>2,943</u>	<u>499</u>	<u>1,117</u>	<u>1,104</u>	<u>4,457</u>	<u>1,701</u>

## (b) Geographical segments

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	<u>1,840</u>	<u>908</u>
The PRC	<u>115,790</u>	<u>76,022</u>
USA	<u>12,886</u>	<u>-</u>
	<u>130,516</u>	<u>76,930</u>

### 3. Finance costs

The finance costs represent the interest on convertible note payable 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 shares of Lecture Kit Company Limited ("LK"), a subsidiary of the Company, or is repayable upon maturity of the convertible note on 31 January 2006 if not converted.

### 4. Taxation

	For the three months ended 30 June		For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax	-	-	-	-
PRC income tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

No Hong Kong profits tax and PRC income tax has been provided for the six months ended 30 June 2005 as the Group has no assessable profit for the period.

### 5. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 June 2005 is based on the loss attributable to shareholders of approximately HK\$6,937,000 (2004: HK\$1,467,000) and HK\$11,829,000 (2004: HK\$5,563,000) and the weighted average number of ordinary shares of approximately 476,237,000 (2004: 476,237,000) during the periods.

## 6. Accounts Receivable

	<b>As at 30th June 2005 HK'000</b>	As at 31st December 2004 HK'000
Ageing analysis of the Group's receivable as at 30th June 2005 was as follows:		
0 to 30 days	<b>14,640</b>	12,126
31 to 60 days	<b>9,951</b>	6,312
61 to 90 days	<b>4,228</b>	1,575
91 to 150 days	<b>3,693</b>	1,107
Over 150 days	<b>4,024</b>	1,966
	<b>36,536</b>	23,086
Less: Provision for bad and doubtful debts	<b>(1,097)</b>	(1,097)
	<b>35,439</b>	21,989

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, recurring sales with the customers and their credit history. The Group makes provision for accounts receivable based on specific review. Provision is made against accounts receivable after considering the amount due, creditability of the customers and other qualitative factors.

## 7. Accounts Payable

	<b>As at 30th June 2005 HK'000</b>	As at 31st December 2004 HK'000
Ageing analysis of the Group's payable as at 30th June 2005 was as follows:		
0 to 30 days	<b>14,004</b>	12,013
31 to 60 days	<b>8,023</b>	5,777
61 to 90 days	<b>4,110</b>	1,587
91 to 150 days	<b>4,662</b>	1,327
Over 150 days	<b>2,204</b>	1,028
	<b>33,003</b>	21,732

## **DIVIDEND**

The Board does not recommend the payment of dividend for the six months ended 30 June 2005 (2004: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Turnover and loss attributable to shareholders**

The total turnover of the Group for the six months ended 30 June 2005 was approximately HK\$130,516,000 (2004: HK\$76,930,000) which was substantially increased by 70% as compared to that of the same period of last year. The increment in turnover was mainly due to the fact that there is one more month of operating results included in the period of 2005. Since the Company has completed its acquisition of Everok International Forwarding Co., Ltd. ("Everok") in February 2004, there were only 5-month operating results from February to June 2004 was included for the period in 2004. The unaudited consolidated loss from operations for the reporting period was HK\$10,420,000 (2004: HK\$4,682,000) which was substantially increased by 223% as compared with the corresponding period of last year mainly due to the carrying amount of goodwill was reviewed and written down for impairment as per the newly adopted accounting standard during the reporting period in 2005.

On the other hand, the staff costs and operating expenses were increased from approximately HK\$7,165,000 and HK\$3,500,000 for the six months ended 30 June 2004 to approximately HK\$10,591,000 and HK\$4,915,000 respectively for the same period in 2005 as more staff were recruited and additional operating expenses incurred consequently.

#### **Liquidity, financial resources and capital structure**

The Group generally financed its operation with its internal generated resource from operation. As at 30 June 2005, the Group had cash balance of approximately HK\$14,953,000 (2004: HK\$15,868,000).

The Group continues to adopt prudent treasury policy to maintain its cash balance either in Hong Kong 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 30 June 2005 as compared with that as at 30 June 2004.

## **Gearing ratio**

As at 30 June 2005, the gearing ratio, expressed as a percentage of total borrowings over total assets, was 21% (31 December 2004: 26%).

## **Employee and remuneration policies**

As at 30 June 2005, the Group employed a total of 293 employees (as at 30 June 2004: 214 employees). The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject review annually.

## **Contingent liability**

### **(i) *Petition***

On 1 August 2005, two subsidiaries of the Company, namely Lecture Kit Company Limited ("LK") and Union Resources (Educational Development) Limited ("UR") were cited as Respondents in a petition filed by Pine Enterprises Limited ("PINE"), the minority shareholder of LK, for seeking High Court's order to certain minority's rights and/or if the Court thinks fit, to wind up UR under the Order of the Court. Detail information is provided in Litigation section below. The Company is taking legal advice as to the merits of the proceedings and the outcome of the dispute is still pending and may lead to the winding up of the subsidiaries. The said winding up action would have no material adverse effect on the financial position of the Group with the exception that its investments in these subsidiaries would be de-consolidated. As for the period ended 30 June 2005, the assets and liabilities of these subsidiaries were consolidated into the financial statements of the Group in accordance with the time of the preparation of the financial statements for the period ended 30 June 2005.

### **(ii) *Option***

Cyber Strategy Limited ("CS"), a subsidiary of the Group, had received notification from PINE demanding CS to purchase its 20% equity interest in LK for HK\$12,500,000. The Group is taking legal advice as to the merits of the demand and counter claims might be instigated by the Group against the minority shareholder. Having considered the legal structure of the Group, the Directors consider that the demand, if succeeded, would have no material impact on the financial position of the Group or its ability to continue to operate its other principal activities since the obligation to purchase the 20% equity interest in LK rests with a specific subsidiary only.

## **OPERATIONAL REVIEW**

During the period under review, the Group continued its focuses on core business in logistic services and information technology while at the same time de-focus of loss making business in the operation of education, which was affecting our future business development.

Looking ahead, we shall continue to focus our efforts in the logistic business to achieve further expansion. We anticipate the coming year will provide exciting opportunities for us as supported by the encouraging global economic growth and expect to see a continuing improvement in our logistic business performance.

### **Performance of operating divisions**

#### ***Logistic Services***

As the Group's key business, the management has put much effort to improve the operation through branches and subsidiaries in the following major cities of China: Guangzhou, Ningbo, Qingdao, Shanghai, Shenzhen, Tianjin, Xiamen and Hong Kong and an overseas subsidiary in Los Angeles, United States of America. The effort including but not limited to increasing customers, widening, improving efficiency of our logistics services including freight forward services and keeping tighter control on the accounting records. The turnover of this operation increased approximately 71% (taking into account one more month's result is included in 2005) compared to that of the previous period. With continued efforts of the management, the Company will increase quality clients for the coming year with an increasing contribution to the Group.

In recent years, the freight forwarding business is booming because of the economic growth in China, leading to the increase in trade between China and the rest of the world. As a result, both imports and exports show significant increases. With the accession of China into the World Trade Organization (WTO), it is expected that the growth in trading volume will continue. The demand for logistics services will increase simultaneously.

Furthermore, with the "just-in-time" management concept developed in recent years, the manufacturers, the distributors and the retailers rely on frequent shipments to sustain production flows and inventory rather than accumulating inventory in their warehouses. This is also accelerating the development of the logistics services business.

During the period, the Company continued to enhance its in-house software development of logistics management system by way of using electronic data interchange and Internet based networks to transmit information and documents among our branches and clients in order to improve the efficiency of its logistics services to meet both the rapid grow of this industry and the management of flows of its operation.

## **Information Technology**

New market opportunities for Information Technology under the improved economics conditions and overall business environment, the increased adopted of IT by the business community to enhance competitiveness, as well as the trends of outsourcing were the main reasons fueling the positive expectations.

In addition, although the small and medium-sized enterprises (SMEs) accounts for 90% of the total number of local firms, most of them are still in the beginning stage of computerization. As Hong Kong enters into the Information Age, the SMEs market will witness a rising need of IT to re-engine their business process and enhance their productivities. Particularly, the SMEs of the import/export sector would be most promising because of the global trend to achieve quick response in the supply chain where IT would play a vital role.

The IT sector offers the following services:–

(i) *Content provision and consulting*

It provides contents for clients' web-site, the contents ranging from industrial news, rules and regulations, news and other business information.

(ii) *Software solutions*

It provides extension software application solutions to our logistics business to enhance its electronic data interchange and Internet based networks for its daily operation. It is further targeting to provide a complete set of logistics solution for major players in the market.

(iii) *Design and hosting services*

This service includes (a) email hosting; (b) web hosting; (c) server hosting; and (d) web design. This section is committed to provide high quality services to clients and will continue to be one of the main revenue.

## **Education**

During the period, the Company continued to provide on-line continuing professional development program (“CPD Program”) in the PRC Law for legal professionals in Hong Kong and to offer PRC Law courses to non-legal attendees through the cooperation with the Hong Kong Management Association. Despite the resources and efforts spent by the Group in conducting the education business, there is no substantial revenue contributed to the Group.

## **LITIGATION**

On 1 August 2005, two subsidiaries of the Company, namely Lecture Kit Company Limited (“LK”) and Union Resources (Educational Development) Limited (“UR”) were cited as respondent in the petition filed by Pine Enterprises Limited (“Pine”), the minority shareholders of LK, for seeking High Court’s order to certain minority shareholder’s rights and if the Court thinks fit, to wind up UR (the “Petition”). LK has engaged Messrs. Preston, Gates, Ellis solicitors to represent it in the Petition. The affirmations and list of documents on behalf of LK and Pine were filed with the High Court by respected parties.

By an order of the Court on 7 September 2005, it was ordered that UR or its officers be restrained (a) dealing with shares of 聯合資源教育發展(燕郊)有限公司(「UREDY」) and the PRC property held by UREDY; (b) pay out from the assets of UR or UREDY or entering into any contracts or arrangement in the name of UR or UREDY which have the effect of committing them in liability in excess of HK\$200,000 in total.

Further to the two hearings of the Petition at the High Court of Hong Kong on 5 December 2005 and 16 January 2006 respectively, the hearing of the Petition was further adjourned to 2 June 2006.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2005, none of the Directors and the chief executive of the Company had registered an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Rule 5.46 of the GEM Listing Rules.



## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 30 June 2005, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the share and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Asian Dynamics International Limited (Note 1)	Beneficial owner	Corporate	264,934,000	55.63%
Aldgate Agents Limited (Note 2)	Beneficial owner	Corporate	66,120,000	13.88%
New World CyberBase Limited	Interest of a controlled corporation	Corporate	66,120,000	13.88%

Notes:

1. 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.

2. Aldgate Agents Limited is a wholly owned subsidiary of New World CyberBase Limited, a company listed on the Stock Exchange (stock code 276). Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, as at 30 June 2005, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

## COMPETING INTERESTS

Pursuant to Rule 11.04 of the GEM Listing Rules, as at 30 June 2005, the interest of each Director, management shareholder 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.

## 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 30 June 2005.

## CORPORATE GOVERNANCE REPORT

In the opinion of the Directors, the Company had complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the period ended 30 June 2005 except that the Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the Chairman and the Managing Director, all Directors are subject to retirement by rotation. The management considered that there is no imminent need to amend the Articles of Association of the Company.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period ended 30 June 2005.

## AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Mr. Yang Zhenhong, 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.

On behalf of the Board

**Xie Xuan**

*Chairman*

Hong Kong, 1 March 2006