



Asian Information Resources (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8025)



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 director is 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 2006 together with the comparative figures for the corresponding period in 2005 as follows:

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	62,170	68,924	122,317	130,516
Cost of services		(57,967)	(63,196)	(112,780)	(119,723)
Gross profit		4,203	5,728	9,537	10,793
Other revenue		385	191	947	404
Interest income		12	25	23	38
Staff costs		(4,801)	(5,249)	(10,300)	(10,591)
Operating lease rentals		(842)	(844)	(1,686)	(1,692)
Other operating expenses		(1,790)	(2,468)	(4,700)	(4,915)
Depreciation and amortization		(845)	(3,465)	(1,857)	(4,457)
Loss from operating activities		(3,678)	(6,082)	(8,036)	(10,420)
Finance costs		(380)	(467)	(1,208)	(924)
Loss before taxation		(4,058)	(6,549)	(9,244)	(11,344)
Taxation	3	—	—	—	—
Loss for the period		(4,058)	(6,549)	(9,244)	(11,344)
Attributable to:					
Equity holders of the Company		(4,184)	(6,937)	(9,413)	(11,829)
Minority interests		126	388	169	485
		(4,058)	(6,549)	(9,244)	(11,344)
Loss per share					
— Basic	4	(0.88 cent)	(1.46 cents)	(1.98 cents)	(2.48 cents)

CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 Jun 2006 HK\$'000	Audited As at 31 Dec 2005 HK\$'000
Non-current assets			
Property, plant and equipment		1,956	31,571
Land lease premium		—	7,288
Development costs		311	534
		<u>2,267</u>	<u>39,393</u>
Current assets			
Accounts receivable	5	28,950	28,285
Amount due from related companies		18	18
Prepayments, deposits and other receivables		3,618	6,353
Cash and bank balances		4,645	7,974
		<u>37,231</u>	<u>42,630</u>
Current liabilities			
Accounts payable	6	29,892	29,020
Accruals and other payables		5,077	9,536
Advances from customers		224	222
Amounts due to directors		—	8,890
Amounts due to minority shareholders		181	4,868
Current portion of obligations under finance lease		24	—
Convertible notes		—	20,405
Taxation payable		—	2,955
		<u>35,398</u>	<u>75,896</u>
Net current assets/(liabilities)		<u>1,833</u>	<u>(33,266)</u>
Total assets less current liabilities		<u>4,100</u>	<u>6,127</u>
Non-current liabilities			
Loan from ultimate holding company	8	2,508	—
Amounts due to directors	9	10,293	—
Obligations under finance lease		87	—
		<u>12,888</u>	<u>—</u>
Net (liabilities)/assets		<u>(8,788)</u>	<u>6,127</u>
Capital and reserves			
Share capital		47,624	47,624
Reserves		(58,111)	(43,027)
Equity attributable to shareholders of the Company		<u>(10,487)</u>	<u>4,597</u>
Minority interests		<u>1,699</u>	<u>1,530</u>
Total equity		<u>(8,788)</u>	<u>6,127</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the six months ended 30 June 2006 (unaudited) and the six months ended 30 June 2005 (unaudited):

	Attributable to equity holders of the Company						Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital		Convertible				
			redemption reserves HK\$'000	Capital reserves HK\$'000	notes reserves HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2005									
— as previously reported	47,624	87,707	—	35,343	—	(153,743)	16,931	2,220	19,151
— prior period adjustment arising from change in accounting policies	—	—	—	—	3,495	(848)	2,647	—	2,647
— as restated	47,624	87,707	—	35,343	3,495	(154,591)	19,578	2,220	21,798
Loss for the period	—	—	—	—	—	(11,829)	(11,829)	485	(11,407)
As at 30 June 2005	47,624	87,707	—	35,343	3,495	(166,420)	7,749	2,705	(10,454)
As at 1 January 2006	47,624	87,707	—	35,343	3,495	(169,572)	4,597	1,530	6,127
Release convertible notes reserves upon maturity	—	—	—	—	(3,495)	3,495	—	—	—
Disposal of subsidiaries	—	—	—	(9,323)	—	—	(9,323)	—	(9,323)
Recognition of income of disposed group	—	—	—	3,483	—	—	3,483	—	3,483
Profit for the period	—	—	—	—	—	(9,244)	(9,244)	169	(9,075)
As at 30 June 2006	47,624	87,707	—	29,503	—	(175,321)	(10,487)	1,699	(8,788)

CONSOLIDATED CASHFLOW STATEMENT

	Unaudited	Unaudited
	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(5,376)	9,298
Net cash outflow from investing activities	(424)	(520)
Net cash (outflow)/inflow before financing activities	(5,800)	8,778
Net cash inflow/(outflow) from financing activities	2,464	(924)
(Decrease)/increase in cash and cash equivalents	(3,336)	7,854
Cash and cash equivalents at 1 January	7,974	7,184
Effect of foreign exchange rate changes	7	(85)
Cash and cash equivalents at 30 June	4,645	14,953
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	4,645	14,953

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong and the GEM Listing Rules. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31 December 2005.

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 internet solution services; (4) service fees from the provision of educational content services; and (5) 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	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Content solution service				
— project fees	51	51	102	102
— distribution fees	224	210	415	411
Internet solution service fees	62	79	215	165
Educational content service fees	—	32	22	58
Logistic service fees	61,833	68,552	121,563	129,780
Total turnover	62,170	68,924	122,317	130,516

(a) **Business segments**

	Content solution		IT enabling technology		Logistic services		Educational content services		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	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	517	513	215	165	121,563	129,780	22	58	122,317	130,516
RESULT										
Segment results	215	243	(248)	(628)	841	1,100	(529)	(1,311)	279	(596)
Interest income									23	38
Unallocated expenses									(8,338)	(9,862)
Loss from operating activities									(8,036)	(10,420)
Finance costs									(1,208)	(924)
Loss before taxation									(9,244)	(11,344)
Taxation									—	—
Loss for the period									(9,244)	(11,344)
Depreciation and amortisation	109	126	274	271	555	2,943	919	1,117	1,857	4,457

(b) **Geographical segments**

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Hong Kong	3,811	1,840
US	13,729	12,886
The PRC	104,777	115,790
	122,317	130,516

3. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	—	—	—	—
PRC income tax	—	—	—	—
	—	—	—	—

No Hong Kong profits tax and PRC income tax has been provided for the six months ended 30 June 2006 as the Group has no assessable profit for the period.

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2006 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$4,184,000 (2005: HK\$6,937,000) and HK\$9,413,000 (2005: HK\$11,829,000) and the weighted average number of ordinary shares of approximately 476,237,000 (2005: 476,237,000) during the periods.

5. ACCOUNTS RECEIVABLE

	As at 30 June 2006 HK\$'000	As at 31 December 2005 HK\$'000
Ageing analysis of the Group's receivable as at 30 June 2006 is as follows:		
0 to 30 days	15,501	14,089
31 to 60 days	5,819	5,292
61 to 90 days	3,839	7,388
91 to 150 days	2,795	1,405
Over 150 days	2,093	1,208
	30,047	29,382
Less: Provision for doubtful debts	(1,097)	(1,097)
	28,950	28,285

6. ACCOUNTS PAYABLE

	As at 30 June 2006 HK\$'000	As at 31 December 2005 HK\$'000
Ageing analysis of the Group's payable as at 30 June 2006 is as follows:		
0 to 30 days	13,502	12,638
31 to 60 days	7,750	8,067
61 to 90 days	4,427	6,893
91 to 150 days	3,660	1,058
Over 150 days	553	364
	<hr/> 29,892	<hr/> 29,020

7. DISPOSAL OF SUBSIDIARIES

On 13 September 2005, the Group entered into a sale agreement to dispose the entire interest in Eleson Inc., Cyber Strategy Limited, Lecture Kit Company Limited, China Cyber University Limited, Union Resources (Educational Development) Limited, Asian Educational Services Limited, Sinotrade Technologies Limited, Comfirm (China) Limited, 廣州匯商信息服務有限公司 and 聯合資源教育發展(燕郊)有限公司 (the "Disposed Group"), each of which is either an indirect wholly-owned or a non wholly-owned subsidiary of the Group. The disposal was completed on 23 May 2006.

The result of the subsidiaries disposed of in period ended 30 June 2006 had no significant impact on the group's turnover or loss after taxation for the period.

	30 June 2006 HK\$'000
Investment cost in the Disposed Group	75
Loss on disposal	<hr/> (25)
Consideration	<hr/> 50
Satisfied by:—	
Cash	<hr/> 50

8. LOAN FROM ULTIMATE HOLDING COMPANY

As at 22 April 2006, the group had gained facilities of HK\$14,000,000 from ultimate holding company and HK\$2,500,000 were utilised during the period. Interest on the amount due to ultimate holding company is charged on a daily basis 5% per annum and repayment will be in one lump sum fifteen months after the first drawdown.

9. AMOUNTS DUE TO DIRECTORS

Amounts due to director are unsecured, interest free and not due for repayment within the next twelve month.

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2006 (2005: 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 2006 was approximately HK\$122,317,000 (2005: HK\$130,516,000) which was decreased by approximately 6.3% as compared to that of the same period of last year. Such change in turnover was mainly attributable to tighten up of credit control policy, so that the Group will increase its future profit margin.

The improvement of unaudited consolidated loss from operations for the reporting period was HK\$8,036,000 (2005: HK\$10,420,000) which was decreased by 22.9% as compared to that of corresponding period of last year. It was mainly due the Group's effort to direct its resources towards implementing proactive and prudent strategies in order to reduce the operating cost while preserving its competitiveness in the markets it is involved.

Liquidity, financial resources and capital structure

As at 30 June 2006, the Group's borrowing consists of loan from ultimate holding company of HK\$2,500,000. The Group had cash balance of approximately HK\$4,645,000 (2005: HK\$7,974,000)

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 2006 as compared with that as at 30 June 2005.

Gearing ratio

As at 30 June 2006, the gearing ratio, expressed as a percentage of total borrowings over total assets, was 6.3% (31 December 2005: 25%)

Material acquisition or disposal

On 13 September 2005, the Group entered into a sale and purchase agreement with Beijing Olympics Limited (“Beijing Olympics”) pursuant to which 9,600 shares of US\$1.00 each in Eleson Inc. (“Eleson”), representing the entire interest of each company comprised of the Disposed Group (the “Disposal”) were sold to Beijing Olympics. The Disposed Group is principally engaged in the cultural exchange services business and the holding of the property in the PRC which comprises a campus at Yanjiao near the outskirts of Beijing comprising a college with a gross site area of 100,000 square metres. The completion of the said Disposal took place on 23 May 2006.

Employee and remuneration policies

As at 30 June 2006, the Group employed a total of 260 employees (as at 30 June 2005: 293). 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 to review annually.

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 divest the educational content business. The said entire business of education was disposed on 23 May 2006. As a result, the Group shall focus more financial resources and management effort on the existing logistic and information technology related business which currently generates the main source of income to the Group.

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 logistic services including freight forwarding services and keeping tighter control on the accounting records. The turnover of this operation decreased by approximately 6.3% compared to that of the previous period, which is mainly due to the implementation of tighten up credit control policy, so as to improve the future profit margin.

In order to make the logistic services into more profitable business, with continued efforts of the management, the Company will target its development into the following areas: (i) Enhancing the freight delivery and distribution services in the PRC for American clients; (ii) Developing warehouse and logistics centre in the PRC for distribution. We expect the quality of clients mix and profit margin will improve in the coming year.

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 logistic services will increase but competition will remain high 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 logistic services business.

During the period, the Company continued to enhance its in-house software development of logistic 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 logistic services to meet both the rapid growth of this industry and the management flows of its operation.

Information Technology

New market opportunities for information technology (“IT”) under the improved economic conditions and overall business environment, the increased adoption 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 business consultants

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

(ii) Software solutions

It provides extension software application solutions to our logistic 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 logistic 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 providing high quality services to clients and will continue to be one of the main revenue.

Since more efforts and resources will be allocated into the logistics business and IT which is one of the key elements in providing effective operation and management decision. Therefore, our IT division shall play a key role in the development of our logistics business.

Trading Resumption

The trading of the shares of the Company on the GEM Board of Stock Exchange has been suspended since 31 March 2005 due to the delay in the publication of 2004 annual accounts and reports and the consequential delay in the publication of the Company's subsequent results and reports which have fallen due in the course of 2005.

The Company has published its 2004 annual accounts and report on 3 January 2006, first quarterly accounts and reports for the three months ended 31 March 2005, interim accounts and report for the six months ended 30 June 2005 and third quarterly accounts and reports for the nine months ended 30 September 2005 on 3 March 2006. The 2005 annual accounts and reports and first quarterly accounts and reports for three months ended 31 March 2006 have also been published on 3 April 2006 and 16 May 2006 respectively. There is no outstanding accounts and report due.

The disposal of the Disposed Group took place on 23 May 2006, which is principally engaged in the educational services and the holding of the PRC property. After the said disposal, the corporate rights and liabilities of the Disposed Group has been transferred to the new purchaser and the Group has no obligation to handle those matters. Upon the completion of such disposal, the Company is targeting on its core business in logistic services and information technology business.

The Company has submitted Submission of the Resumption Proposal for the Shares of the Company to be traded on the GEM Board of the Stock Exchange (“the Resumption Proposal”) for the shares of the Company to be traded on the GEM Board to the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 15 January 2006. In response to the additional questions raised by the Stock Exchange, a revised Resumption Proposal was submitted to the Stock Exchange on 27 January 2006. Following the publishing of the annual results of the Company for the year ended 31 December 2005 and the disposal of the Disposed Group took place on 23 May 2006, a further revised Resumption Proposal was submitted to the Stock Exchange on 15 June 2006. The Management is confident that full compliance of the various Listing Rules have been addressed by the Company and a viable Resumption Proposal has demonstrated the reasonable endeavour that the Company had been made to ensure the lifting of the suspension of the trading. We are still waiting for the comments and approval from the Stock Exchange and further notification shall be made to advise the shareholders of the result. Resumption of trading of the Company’s shares shall be pursued attentively by the management for the best interest of shareholders.

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

As at 30 June 2006, 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 2006, 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 2006, 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 2006, 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 30 June 2006.

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 2006 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 adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the 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 2006.

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 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, 9 August 2006