



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)

First **Q**uarterly **R**eport 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 ended 31st March 2004 together with the comparative figures for the corresponding period in Year 2003 as follows:

	<i>Note</i>	For the three months ended 31st March	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	24,965	345
Cost of services and merchandise sold		(23,317)	(21)
Interest income		18	55
Staff costs		(3,432)	(2,448)
Depreciation of fixed assets		(679)	(74)
Operating lease rental expenses		(738)	(538)
Other operating expenses		(1,498)	(1,192)
Loss from operations		(4,681)	(3,873)
Finance costs	3	(426)	(2)
Other income		105	–
Gain on disposal of long-term investments		–	300
Loss before taxation		(5,002)	(3,575)
Taxation	4	–	–
Loss after taxation but before minority interests		(5,002)	(3,575)
Minority interests		906	–
Loss attributable to shareholders		(4,096)	(3,575)
Loss per share			
– Basic	5	(0.86 cent)	(0.75 cent)

*Notes:***1. Basis of preparation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation adopted in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31st December 2003.

2. Turnover

	For the three months ended 31st March	
	2004	2003
	HK\$'000	HK\$'000
Content solution service		
– distribution fees	137	110
– project fees	60	73
Internet solution service fees	67	162
Logistics	24,691	–
Others	10	–
	<u>24,965</u>	<u>345</u>
Total turnover	<u>24,965</u>	<u>345</u>

3. Finance costs

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 shares 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 31st March	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax	–	–
The Mainland China enterprise income tax	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

No profits tax was provided for the Company and its subsidiaries operating outside Hong Kong and the Mainland China as they either were not subject to taxation in their respective jurisdiction of operations or were still in a tax loss position as at 31st March 2004.

5. Loss per share

The calculation of basic loss per share for the three months ended 31st March 2004 is based on the loss attributable to shareholders of approximately HK\$4,096,000 (2003: HK\$3,575,000) and the weighted average of approximately 476,237,000 (2003: 476,237,000 shares) ordinary shares in issue during the periods.

Diluted loss per share for the three months ended 31st March 2003 and 2004 are not presented because the potential ordinary shares were anti-dilutive during the periods.

6. Movement in reserves

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Capital Redemption Reserve <i>HK\$'000</i>	Accumulated Losses <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	-	-	-	(3,575)	-	(3,575)
As at 31st March 2003	47,624	86,907	800	(138,375)	26,020	22,976
As at 1st January 2004	47,624	86,907	800	(149,409)	26,020	11,942
Loss for the period	-	-	-	(4,096)	-	(4,096)
Waiver of loans from a related party	-	-	-	-	9,404	9,404
As at 31st March 2004	47,624	86,907	800	(153,505)	35,424	17,250

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31st March 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$24,965,000 (2003: HK\$345,000) for the three months ended 31st March 2004, representing an increase of 71 times as compared to that of the same period of last year. The substantial increase in turnover was mainly owing to the inclusion of the operating result of February and March 2004 of the newly acquired logistics service provider specialized in freight forwarding in the PRC, Ever-OK International Forwarding Co., Ltd. (“Everok”).

The unaudited consolidated loss from operations for the reporting period is increased by 21% to approximately HK\$4,681,000, as compared with the corresponding period of last year. The increase in loss from operations was mainly due to the increase in employee cost and depreciation expenses from approximately HK\$2,448,000 and HK\$74,000 for the three months ended 31st March 2003 to approximately HK\$3,432,000 and HK\$679,000 respectively for the same period in Year 2004 as additional staff were recruited and fixed assets were purchased for the businesses acquired lately.

Material Acquisition or Disposal

The Group has completed the acquisition of 60% stockholding interest in Everok on 25th February 2004. The total consideration of this transaction is RMB9,400,000 (equivalent to approximately HK\$8,868,000). Details of this transaction have been included in the announcement and circular released on 21st August and 10th September 2003 respectively.

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 approximately HK\$1,764,000 that the Group had previously paid out to a deceased employee as 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 the deceased employee mentioned above of the Group and family members of a deceased individual unrelated to the Group) filed a claim against the Group for compensation in relation to the aforementioned fire accident 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 31st March 2004 and the trial is scheduled to take place in October 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 that the chance of the Group to incur significant obligation out of this claim is remote.

Employee and Remuneration policies

As at 31st March 2004, the Group employed a total of 200 employees. The management believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and mandatory provident fund scheme, staff benefits include medical scheme, share options and performance bonus. The Group's remuneration policies are in line with prevailing market practices.

OPERATIONAL REVIEW

Content Solution

During the first quarter of Year 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 a major content partner of TDC, the Group also continued to provide the daily business 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 industrial partner 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 since February 2004 and will last for one year.

Strategic Investment

Logistics

Since February 2004, the Group has completed all the formalities in the acquisition of 60% stockholding interest in Everok. With the intensive distribution network of this new investment, the Group generated massive growth in its turnover and created value added synergy to the Group's IT development.

Education

During the first quarter of Year 2004, the Group received accreditation of The Law Society of Hong Kong to provide on-line education programme for its Continuing 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 completed 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 launched a live test-run with a logistics provider, Everok, which is also 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 of 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 of America will be opened in May 2004. In addition, the Group is implementing our e-logistics platform for Everok which will be completed in the third quarter of Year 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.

Investment Holding

Educational Services

In April 2003, the Group had acquired, 51% shareholding in Union Resources (Educational Development) Limited, which specializes in provision of cultural and educational services in Hong Kong and the PRC. Upholding the remarkable growth of educational service in the Greater China market, the Group will, subject to the market conditions, devote more resources

to develop its educational 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 educational services, the Group had set up the 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 programme. Eyeing the mounting need for on-line educational 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 31st March 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%

Note:

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 31st March 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 31st March 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 31st March 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 31st March 2004.

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, 10th May 2004