



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)

Third **Q**uarterly **R**eport 2004

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.

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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. Law Shiu Kai, Andrew and 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 months and nine months ended 30th September 2004 together with the comparative figures for the corresponding periods in Year 2003 as follows:

	Notes	For the three months ended 30th September		For the nine months ended 30th September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	72,451	327	149,381	882
Cost of services and merchandise sold		(68,899)	(136)	(137,969)	(158)
Gross Profit		3,552	191	11,412	724
Interest income		4	36	35	143
Other operating income		298	51	442	64
Employee costs		(5,124)	(2,559)	(12,289)	(7,485)
Operating lease rental expenses		(764)	(224)	(2,471)	(1,292)
Other operating expenses		(3,269)	(1,055)	(6,769)	(3,569)
Provision for doubtful debts written back		795	-	2,151	-
Depreciation and amortization		(976)	(92)	(2,677)	(262)
Loss from operations		(5,484)	(3,652)	(10,166)	(11,677)
Finance costs	3	(443)	(9)	(1,303)	(12)
Other gain on long term investments		-	300	-	600
Loss before taxation		(5,927)	(3,361)	(11,469)	(11,089)
Taxation	4	-	-	-	-
Loss after taxation but before minority interests		(5,927)	(3,361)	(11,469)	(11,089)
Minority interests		1,006	244	985	432
Loss attributable to shareholders		(4,921)	(3,117)	(10,484)	(10,657)
Loss per share					
- Basic	5	(1.03 cents)	(0.65 cent)	(2.2 cents)	(2.24 cents)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the nine months ended 30th September 2004 (unaudited) and the nine months ended 30th September 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>(10,657)</u>	<u>-</u>	<u>(10,657)</u>
As at 30th September 2003	<u>47,624</u>	<u>86,907</u>	<u>800</u>	<u>(145,457)</u>	<u>26,020</u>	<u>15,894</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>(10,484)</u>	<u>-</u>	<u>(10,484)</u>
As at 30th September 2004	<u>47,624</u>	<u>86,907</u>	<u>800</u>	<u>(159,893)</u>	<u>35,382</u>	<u>10,820</u>

Notes:

1. Basis of preparation

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

2. Turnover

	For the three months ended 30th September		For the nine months ended 30th September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Content solution services				
– distribution fees	148	14	413	195
– project fees	60	64	180	194
Internet solution service fees	65	101	573	345
Logistics	71,849	–	147,871	–
Others	329	148	344	148
	<u>72,451</u>	<u>327</u>	<u>149,381</u>	<u>882</u>
Total turnover				

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 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 September		For the nine months ended 30th September	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	-	-	-	-
The Mainland China enterprise income tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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 30th September 2004.

5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 30th September 2004 was based on the loss attributable to shareholders of approximately HK\$4,921,000 and HK\$10,484,000 and the weighted average of approximately 476,237,000 ordinary shares in issue during the periods.

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

DIVIDEND

The Board has resolved not to declare a dividend for the nine months ended 30th September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$149,381,000 (2003: HK\$882,000) for the nine months ended 30th September 2004, representing an increase of 168 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 to September 2004 of the newly acquired logistics service provider specialized in freight forwarding in the People's Republic of China ("PRC"), Ever-OK International Forwarding Co., Ltd. ("Everok"). The unaudited consolidated loss from operations for the nine months ended 30th September 2004 is decreased by 13% to approximately HK\$10,166,000 (2003: HK\$11,677,000), as compared with the corresponding period of last year with regard to the same reason mentioned above.

During the nine months ended 30th September 2004, additional staff were recruited and more office space was rented following the acquisition of Everok. As a result, the employee cost and operating lease rental expenses have been increased from approximately HK\$7,485,000 and HK\$1,292,000 for the nine months ended 30th September 2003 to approximately HK\$12,289,000 and HK\$2,471,000 for the same period in Year 2004 respectively.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the nine months ended 30th September 2004, 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 of the Company dated 21st August and 10th September 2003 respectively.

During the year, a subsidiary of the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") dated 6th February 2004 for sale of real estate property located at Yanjiao, near the outskirts of Beijing (河北省三河市燕郊開發區) which comprises a campus with a gross site area of 100,000 square metres. The Property has the land use right as a cultural establishment. The purchaser failed to complete the transaction on 25th August 2004 despite repeated demands and previous settlement agreements delaying the scheduled completion date to 25th August 2004. The purchaser is still owing the balance of purchase price payable under the transaction to the sum of RMB45,000,000 (equivalent to approximately HK\$42,453,000). The purchaser has confirmed that the RMB10,000,000 (equivalent to approximately HK\$9,434,000) paid previously by them under the Sale and Purchase

Agreement can be and has been forfeited by the Group absolutely. The Group is presently negotiating with the purchaser for either payment of the balance of the purchase price RMB45,000,000 (equivalent to approximately HK\$42,453,000) in the form of a delayed completion of the transaction or alternatively payment of damages for breach of contract.

Employee and Remuneration policies

As at 30th September 2004, the Group employed a total of 235 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.

Contingent Liability

As at 30th September 2004, the Group has no material contingent liability.

OPERATIONAL REVIEW

Content Solution

During the first nine months 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 Chinese legal news to TDC with a negotiation to further provide translation of selected news into English.

IT Enabling Technology

Web Design and Hosting Services

The market condition of this section showed a little sign of improvement but price competition remained fierce. The clientele of the Group is improving in quality (based on the size and reputation of the clients). 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. 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 enhancements in the services 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 and design team has been continuously upgrading over the past 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同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 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. In May 2004, the Everok group opened its first overseas branch in Los Angeles, California, the United States of America. The Everok group has been approved by U.S.A.’s Federal Maritime Commission to operate as a non-vessel operating common carrier (NVOCC). This is the first step of Everok group to become a truly international logistics company, both in terms of business and presence.

Education

The Group has received accreditation of The Law Society of Hong Kong to provide on-line education programme for its Continuing Professional Development scheme (“CPD Scheme”). 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 the 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 is currently in its final stages and is scheduled for completion in February 2005. The Group will own the intellectual property of the product of the project, 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 Shanghai, Everok comprises 10 branches or subsidiaries, namely Dalian, Guangzhou, Ningbo, Qingdao, Nanjing, 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 California, the USA 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 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 awarded a rank 18th of the PRC freight forwarders 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 up an educational facility and are identifying reputable universities to collaborate with the Group for educational services.

To further enhance our on-line educational services, the Group established the Hong Kong Institute of Chinese Law with the aim of equipping professionals outside of the Mainland with a foundation understanding on Chinese law. In February 2004, all courses offered in the Postgraduate CPD Program in Chinese Law (the “Program”) were accredited by The Law Society of Hong Kong under the CPD Scheme. The Program consists of a comprehensive series of modules on Chinese law with emphasis on the application of law in general and commercial settings. While maintaining the demanding rigour and standards of quality Chinese legal education, the Program caters to the needs of professionals outside Mainland China through engaging legal experts with overseas experience. The Program has also received further recognition from the Association of China-Appointed Attesting Officers (“Association”), which has accredited all existing modules of the Program for the purpose of continual training of its members. Established in 1988 as a non-profit organization, the Association consists entirely of distinguished legal practitioners who have been appointed by the Ministry of Justice of the PRC as official China-Appointed Attesting Officers. This recognition from the Association is seen as a significant endorsement by the legal community on the practicality and quality of the Program. With an eye on 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 professionals 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 GEM of the Stock Exchange (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 September 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 September 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 September 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 September 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 September 2004.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising only the non-executive Directors, the majority of which are independent non-executive Directors. The members include Mr. Law Shiu Kai Andrew, Mr. Wu Jixue and Mr. Zhang Daorong. The audit committee has adopted the terms of reference governing its authorities and duties. 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, 8th November 2004