



# **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 Quarterly Report 2005**

## **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 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 months ended 31 March 2005 together with the comparative figures for the corresponding period in 2004 as follows:

	Notes	For the three months ended 31 March	
		2005 HK\$'000	2004 HK\$'000
Turnover	2	<b>61,592</b>	24,965
Cost of services		<b>(56,527)</b>	(23,317)
Gross profit		<b>5,065</b>	1,648
Interest income		<b>13</b>	18
Other income		<b>213</b>	105
Staff costs		<b>(5,342)</b>	(3,432)
Operating lease rentals		<b>(848)</b>	(738)
Other operating expenses		<b>(2,447)</b>	(1,498)
Depreciation and amortisation		<b>(992)</b>	(679)
Loss from operating activities		<b>(4,338)</b>	(4,576)
Finance costs	3	<b>(457)</b>	(426)
Loss before taxation		<b>(4,795)</b>	(5,002)
Taxation	4	<b>-</b>	-
Loss before minority interests		<b>(4,795)</b>	(5,002)
Minority interests		<b>(97)</b>	906
Loss attributable to shareholders		<b>(4,892)</b>	(4,096)
Loss per share			
– Basic	5	<b>(1.03 cents)</b>	(0.86 cent)

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:

	<b>For the three months ended 31 March</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Content solution service		
– project fees	<b>51</b>	60
– distribution fees	<b>201</b>	137
Internet solution service fees	<b>86</b>	67
Educational content service fees	<b>26</b>	10
Logistic service fees	<b>61,228</b>	24,691
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Total turnover	<b>61,592</b>	24,965
	<hr/>	<hr/>

### 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

	<b>For the three months ended 31 March</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	-	-
PRC income tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

No Hong Kong profits tax and PRC income tax has been provided for the three months ended 31 March 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 ended 31 March 2005 is based on the net loss attributable to shareholders of approximately HK\$4,892,000 (2004: HK\$4,096,000) and the weighted average number of ordinary shares of approximately 476,237,000 (2004: 476,237,000) during the periods.

### 6. Reserves

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Capital Redemption Reserve</b>	<b>Capital Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2004	47,624	86,907	800	26,020	(149,409)	11,942
Waiver of loans from a related party	-	-	-	9,404	-	9,404
Loss for the period	-	-	-	-	(4,096)	(4,096)
As at 31 March 2004	<u>47,624</u>	<u>86,907</u>	<u>800</u>	<u>35,424</u>	<u>(153,505)</u>	<u>17,250</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>(4,892)</u>	<u>(4,892)</u>
<b>As at 31 March 2005</b>	<u>47,624</u>	<u>87,707</u>	<u>-</u>	<u>35,343</u>	<u>(158,635)</u>	<u>12,039</u>

## **DIVIDEND**

The Board does not recommend the payment of dividend for the three months ended 31 March 2005 (2004: Nil)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

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

The total turnover of the Group for the three months ended 31 March 2005 was approximately HK\$61,592,000 (2004: HK\$24,965,000) which was increased by approximately 47% times as compared to that of the same period of last year. Such enlargement in turnover was mainly attributable to the inclusion of 3-month operating results in 2005 of the logistic service by Everok International Forwarding Co., Ltd. ("Everok") whereas 2-month operating results was included since February 2004 for the corresponding period in last year upon the completion of the acquisition by the Company. The unaudited consolidated loss from operating activities for the reporting period is decreased by 3% to approximately HK\$4,338,000 (2004: HK\$4,576,000), as compared with the corresponding period of last year. The decrease in loss from operations was mainly due to strengthen in streamlining its operating costs while preserving its competitiveness in the markets it is involved.

Staff costs and operating expenses were increased from approximately HK\$3,432,000 and HK\$1,498,000 for the three months ended 31 March 2004 to HK\$5,342,000 and HK\$2,447,000 respectively for the same period in 2005 as more staff were recruited and additional operating expenses incurred consequently.

#### **Material acquisition or disposal**

There was no material acquisition or disposal completed during the captioned period.

#### **Employee and remuneration policies**

As at 31 March 2005, the Group employed a total of 264 employees (as at 31 March 2004: 200). 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 31 March 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 31 March 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 48% (taking into account one more month's results 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 reply 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 31 March 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 31 March 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
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 31 March 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 31 March 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 31 March 2005.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has made specific enquiry of 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 31 March 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 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