



**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”)**

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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. Wu Jixue, Mr. Yang Zhenhong and Mr. Zhang Daorong.*

## UNAUDITED CONSOLIDATED 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 2006 together with the comparative figures for the corresponding period in Year 2005 as follow:

		<b>For the three months ended 31 March</b>	
	<i>Notes</i>	<b>2006 HK\$'000</b>	<b>2005 HK\$'000</b>
Turnover	2	<b>60,147</b>	61,592
Cost of services		<b>(54,813)</b>	(56,527)
Gross profit		<b>5,334</b>	5,065
Interest income		<b>11</b>	13
Other income		<b>562</b>	213
Staff costs		<b>(5,499)</b>	(5,342)
Depreciation and amortization		<b>(1,012)</b>	(992)
Operating lease rentals		<b>(844)</b>	(848)
Other operating expenses		<b>(2,910)</b>	(2,447)
Loss from operating activities		<b>(4,358)</b>	(4,338)
Finance costs	3	<b>(828)</b>	(457)
Loss before taxation		<b>(5,186)</b>	(4,795)
Taxation	4	—	—
Loss for the period		<b>(5,186)</b>	(4,795)
Attributable to:			
Equity holders of the Company		<b>(5,229)</b>	(4,892)
Minority interest		<b>43</b>	97
		<b>(5,186)</b>	(4,795)
Loss per share			
— Basic	5	<b>(1.10 cents)</b>	(1.03 cents)

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the three months ended 31 March 2006.

### Attributable to equity holders of the Company

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Convertible notes reserve	Accumulated losses	Total	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	—	—	—	—	—	(4,892)	(4,892)	97	(4,795)
As at 31 March 2005	47,624	87,707	—	35,343	3,495	(159,483)	14,686	2,317	(17,003)
As at 1 January 2006	47,624	87,707	—	35,343	3,495	(169,572)	4,597	1,530	6,127
Release convertible notes reserve upon maturity	—	—	—	—	(3,495)	3,495	—	—	—
Loss for the period	—	—	—	—	—	(5,229)	(5,229)	43	(5,186)
As at 31 March 2006	47,624	87,707	—	35,343	—	(171,306)	(632)	1,573	941

Notes:

## 1. BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), and accounting principles general 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 31 March	
	2006	2005
	HK\$’000	HK\$’000
Content solution service		
— project fees	51	51
— distribution fees	191	201
Internet solution service fees	153	86
Educational content service fees	22	26
Logistic service fees	59,730	61,228
	<hr/>	<hr/>
Total turnover	60,147	61,592

## 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”), or is repayable upon maturity of the convertible note on 31 January 2006 if not converted. The outstanding balance of any amount owed under the convertible note which is not paid after the maturity date shall bear interest at 2% per annum (the “Default Interest”) above the rate that would otherwise be in effect under the convertible note with the Default Interest accruing, from and including the maturity date, on a cumulative, compounding basis. The convertible note remained unpaid as at 31 March 2006.

The Minority Shareholder had indicated that he has no intention to convert the note into shares of LK upto date of maturity of the convertible note on 31 January 2006.

#### **4. TAXATION**

No Hong Kong profits tax and PRC enterprise income tax has been provided for the three months ended 31 March 2006 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 2006 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$5,229,000 (2005:HK\$4,892,000) and the weighted average number of ordinary shares of approximately 476,237,000 (2005: 476,237,000) during the periods.

## **DIVIDEND**

The Board does not recommend the payment of dividend for the three months ended 31 March 2006 (2005: 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 2006 was approximately HK\$60,147,000 (2005: HK\$61,592,000) which was slightly decreased by approximately 2.3% as compared to that of the same period of last year. Such change in turnover was mainly attributable to the less active business environment in the logistic business in current period as compared to that of corresponding period in prior year.

The unaudited consolidated loss from operations for the reporting period is slightly increased by 0.5% to approximately HK\$4,358,000 as compared with the corresponding period of last year. Though there was decrease in turnover, the contribution from the logistic segment particularly in the ocean freight business was improved as compared to prior year. Hence the Group was still able to cope with the increase in operating costs as more resources were devoted to operate the logistic service, such as manpower and related administrative support while maintaining its operating results in current period as compared to that of last year. Looking ahead, the Group will continue to adopt stringent cost controls while preserving its competitiveness in the markets.

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

On 13 September 2005, Asian Information Resources (BVI) Limited, a direct wholly-owned subsidiary of the Company (“AIR BVI”) entered into a sale and purchase agreement with Beijing Olympics Limited (“Beijing Olympics”) pursuant to which AIR BVI conditionally agreed to sell and Beijing Olympics conditionally agreed to purchase 9,600 shares of US\$1.00 each in Eleson Inc. (“Eleson”), representing the

entire interest of each company comprised of the Disposed Group (as defined in the Company's circular dated 2 May 2006) (the "Disposal"). 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. Upon completion, Eleson will cease to be a subsidiary of the Company.

Details of the Disposal are stated in the Company's circular dated 2 May 2006.

### **Employee and remuneration policies**

As at 31 March 2006, the Group employed a total of 285 employees (as at 31 March 2005: 264). 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.

### **Contingent Liability**

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

On 1 August 2005, two subsidiaries of the Company, namely LK and 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 (the "Petition"). The minority shareholder also disputed certain payment of management fees by UREDY for services rendered by another group company. No ruling was made by the Court in two intervening petition hearings in September and October 2005. Subsequently, the hearing of the Petition was further adjourned to 5 December 2005 and 16 January 2006 respectively. On 16 January 2006, the hearing of the Petition was further adjourned for argument. The hearing was fixed on 2 June 2006.



On 12 April 2006, PINE filed another application for the appointment of provisional liquidators to UR by way of summon. The hearing of the said summon was fixed on 25 April 2006. On that day, the Court ordered the appointment of provisional liquidators on UR.

The Board did not consider that there would be any material effects on the operations and financial position of the group resulting from the Petition and the appointment of provisional liquidators to UR since there had been no significant operating revenue generated by UR and its subsidiaries after the acquisition of UR from PINE on 12 April 2003 but causing administrative expenses and financial burden. For the winding up action, it 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 2006, the results of these subsidiaries were consolidated into the financial statements of the Group.

(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, since the said entire business will be disposed upon the completion of the Disposal.


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 slightly decreased by approximately 2.4% compared to that of the previous period because of the less active business condition in current 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 logistic services will increase but competition will maintain 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.

***Education***

During the period, the Company continued to provide on-line continuing professional development program (“CPD Program”) in the area of 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 operating revenue contributed to the Group.

In addition, the entire business of education will be disposed upon the completion of the Disposal.

**LITIGATION**

On 1 August 2005, two subsidiaries of the Company, namely LK and UR were cited as respondents in the petition filed by PINE, the minority shareholder 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 affirmations and list of documents on behalf of LK and PINE were filed with the High Court by the respective parties.

By an order of the Court on 7 September 2005, it was ordered that UR or its officers be restrained in (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; or (b) paying 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.

On 13 September 2005, Asian Information Resources (BVI) Limited, a direct wholly-owned subsidiary of the Company (“AIR BVI”) entered into a sale and purchase agreement with Beijing Olympics Limited (“Beijing Olympics”) pursuant to which AIR BVI conditionally agreed to sell and Beijing Olympics conditionally agreed to purchase 9,600 shares of US\$1.00 each in Eleson Inc. (“Eleson”), representing the entire interest of each company comprised of the Disposed Group (as defined in the Company’s circular dated 2 May 2006) (the “Disposal”). 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 areas of 100,000 square metres. Eleson will cease to be a subsidiary of the Company on completion.

On 12 April 2006, PINE filed another application for the appointment of provisional liquidators to UR by way of summon. The hearing of the said summon was fixed on 25 April 2006 during which the Court ordered that Mr. Kennic Lui and Mrs. Lauren Lau of Messrs. Kennic L.H. Lui & Company be appointed joint and several provisional liquidators of UR.

The Board did not consider that there would be any material effects on the operations and financial position of the Group resulting from the Petition and the appointment of provisional liquidators of UR since no significant operating revenue generated by UR and its subsidiaries after the acquisition of UR from PINE on 12 April 2003 but causing administrative expenses and financial burden.

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

As at 31 March 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 31 March 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:

<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 ( <i>Note 1</i> )	Beneficial owner	Corporate	264,934,000	55.63%
Aldgate Agents Limited ( <i>Note 2</i> )	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 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 31 March 2006, 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 2006.

## 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 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 2006.

## **AUDIT COMMITTEE**

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising of 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, 11 May 2006