Asian Information Resources (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8025)

2006 Third Quarterly Report

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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This report, for which the directors of Asian Information Resources (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Asian Information Resources (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this report, the executive directors of the Company are Mr. Xie Xuan and Mr. Ho Wing Yiu; the non-executive director is Mr. Lo Mun Lam Raymond and the independent non-executive directors are Mr. Wu Jixue, Mr. Yang Zhenhong and Mr. Zhang Daorong.

RESULTS

The board of directors (the "Board") of Asian Information Resources (Holdings) Limited (the "Company") present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and nine months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005 as follows:

		For the three months ended 30 September		**For the nine months ended 30 September**	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**88,659**	69,808	**210,976**	200,324
Cost of services		**(83,819)**	(64,720)	**(196,599)**	(184,443)
Gross profit		**4,840**	5,088	**14,377**	15,881
Other revenue		**243**	249	**1,190**	653
Interest income		**9**	18	**32**	56
Staff costs		**(4,825)**	(5,262)	**(15,125)**	(15,853)
Operating lease rentals		**(993)**	(901)	**(2,679)**	(2,593)
Other operating expenses		**(2,846)**	(2,581)	**(7,546)**	(7,496)
Depreciation and amortization		**(384)**	(929)	**(2,241)**	(5,386)
Loss from operating activities		**(3,956)**	(4,318)	**(11,992)**	(14,738)
Finance costs		**(80)**	(475)	**(1,288)**	(1,399)
Loss before taxation		**(4,036)**	(4,793)	**(13,280)**	(16,137)
Taxation	*3*	**—**	—	**—**	—
Loss for the period		**(4,036)**	(4,793)	**(13,280)**	(16,137)
Attributable to:					
Equity holders of the Company		**(3,856)**	(4,911)	**(13,269)**	(16,740)
Minority interests		**(180)**	118	**(11)**	603
		(4,036)	(4,793)	**(13,280)**	(16,137)
Loss per share — Basic	*4*	**(0.81 cent)**	(1.03 cents)	**(2.79 cents)**	(3.52 cents)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the nine months ended 30 September 2006 and the nine months ended 30 September 2005:

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserves HK$'000	Capital reserves HK$'000	Convertible notes reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interest HK$'000	Total 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	—	—	—	—	—	(16,137)	(16,137)	603	(15,534)
As at 30 September 2005	47,624	87,707	—	35,343	3,495	(170,728)	3,441	2,823	6,264
As at 1 January 2006	47,624	87,707	—	35,343	3,495	(169,572)	4,597	1,530	6,127
Release convertible notes reserves upon maturity	—	—	—	—	(3,495)	3,495	—	—	—
Disposal of subsidiaries	—	—	—	(9,323)	—	—	(9,323)	—	(9,323)
Recognition of income of disposed group	—	—	—	3,483	—	—	3,483	—	3,483
Loss for the period	—	—	—	—	—	(13,269)	(13,269)	(11)	(13,280)
As at 30 September 2006	47,624	87,707	—	29,503	—	(179,346)	(14,512)	1,519	(12,993)

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 ("HKICPA"), and accounting principles generally accepted in Hong Kong and the GEM Listing Rules. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31 December 2005.

2. TURNOVER

The Group's turnover represents the invoiced value of (1) project fees from the provision of project consultancy services; (2) distribution fees from the provision of content information; (3) service fees from the provision of internet solution services; (4) service fees from the provision of educational content services; and (5) service fees from the provision of logistic services and excludes intra-Group transactions as follows:

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Content solution service				
— project fees	**51**	154	**153**	256
— distribution fees	**159**	192	**574**	603
Internet solution service fees	**135**	86	**350**	251
Educational content service fees	**—**	8	**22**	66
Logistic service fees	**88,314**	69,368	**209,877**	199,148
Total turnover	**88,659**	69,808	**210,976**	200,324

3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**—**	—	**—**	—
PRC income tax	**—**	—	**—**	—
	—	—	**—**	—

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

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2006 is based on the net loss from ordinary activities attributable to shareholders of approximately HK$3,856,000 (2005: HK$4,911,000) and HK$13,269,000 (2005: HK$16,740,000) and the weighted average number of ordinary shares of approximately 476,237,000 (2005: 476,237,000) during the periods.

INTERIM DIVIDEND

The board does not recommend the payment of a dividend for the nine months ended 30 September 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the nine months ended 30 September 2006 was approximately HK$210,976,000 (2005: HK$200,324,000) which was increased by approximately 5.3% as compared to that of the same period of last year. The Group's gross profit margin is slightly decreased from 7.9% for the nine months ended 30 September 2005 to 6.8% for the current period due to the fact that the Group had negotiated a special project, representing approximately 8.5% of total turnover of the Group for the current period, and has a lower profit margin in nature if compared to the profit margin from our normal business. The decrease in gross profit margin was also attributed to the Group's service providers having increased their costs, but at the same time the Group continued to offer competitive prices to its valued customers.

The unaudited consolidated loss from operations for the period was decreased by 18.6% to approximately HK$11,992,000 as compared with the corresponding period last year. It was mainly due to the disposal of Eleson Group in second quarter of 2006 and the strengthening of the streamlining of its operating costs.

Financial cost

The financial cost of the Group for the three months ended 30 September 2006 was approximately HK$80,000 (2005: HK$475,000) which was decreased by approximately 83% as compared to that of the same period of last year. Such reduction was mainly attributable to the fact that the disposal of Eleson Group reduced the Group's financial cost which resulted from the interest-bearing convertible note relating to Eleson Group.

Liquidity, financial resources and capital structure

As of 30 September 2006, the Group's borrowing consists of a loan from the ultimate holding company of HK$8,500,000. The Group had a cash balance of approximately HK$6,694,000 (2005: HK$10,694,000).

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

There was no change in the capital structure of the Group as at 30 September 2006 as compared with that as at 30 September 2005.

Gearing Ratio

As at 30 September 2006, the gearing ratio, expressed as a percentage of total borrowings over total assets, was 19% (31 December 2005: 25%).

Employee and remuneration policies

As at 30 September 2006, the Group employed a total of 257 employees (as at 30 September 2005: 286). The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

OPERATIONAL REVIEW

During the period under review, the Group continued its focuses on core business in logistic services and information technology.

The Company has sufficient level of operations in its services portfolio and has sufficient assets to operate its business. Currently, the Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business.

The Company shall continue to focus its efforts in building up viable businesses to achieve further expansion, and anticipates the coming year will provide exciting opportunities for the Company, supported by the encouraging global economic growth.

Performance of operating divisions

Logistic Services

Considering the importance of the business and the issues encountered by the Group last year in respect of the logistic operation, the management has put much effort to improving the operation through branches and subsidiaries in the following major cities of China: Guangzhou, Nan Jing, Ningbo, Qingdao, Shanghai, Shan Tou, Shenzhen, Tianjin, Xiamen and Hong Kong and an overseas subsidiary in Los Angeles, in the United States. The effort includes but is 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 increased by approximately 5.3% 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 order to make the logistic services more profitable, with continued efforts of the management, the Company has plan to target its development into the following areas: (i) Enhancing the freight delivery and distribution services in the PRC for US clients; (ii) Developing warehouse and logistic centre in the PRC for distribution; (iii) Developing more major clients and providing them with more value added services

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.

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 for 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-engineer, their business process and enhance their productivity. Particularly, the SMEs of the import/export sector would be most promising because of the global trend to achieve a 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 content for client's web sites, the content ranging from industrial news, rules and regulations, news and other business consultation services.

(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 providing a complete set of logistics solutions for major players in the market.

(iii) Design and hosting services

These services include (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 sources.

More effort and resources will be allocated to the logistic business and IT which is one of the key elements in providing effective operation and management decisions. Therefore, our IT division shall play a key role in the development of our logistic business and other business opportunities with specific industrial applications. Furthermore, our IT division has attempted to cut operation costs and increase profits through the employment of more technical staff in China.

Trading Resumption

The trading of shares of the Company on the GEM Board of the Stock Exchange has been suspended since 31 March 2005 due to the delay in the publication of the 2004 Annual Accounts and Reports and the consequential delay in the publication of the Company's subsequent results and reports which fell due in the course of 2005. On 14 March 2006, the Company announced that trading in the Shares remains suspended pending an announcement regarding the clarification on the financial position and the internal control systems of the Group.

All outstanding accounts and reports have been published, and the Company has addressed, amongst others, auditors' qualifications, the current financial position, operations and internal control system of the Company.

The trading of shares of the Company on the GEM Board of the Stock Exchange resumed with effect from 9:30 am on Friday, 15 September 2006.

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

As at 30 September 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 POSITION IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 30 September 2006, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the share and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Asian Dynamics International Limited *(Note 1)*	Beneficial Owner	Corporate	264,934,000	55.63%
Aldgate Agents Limited *(Note 2)*	Beneficial Owner	Corporate	66,120,000	13.88%
New World Cyberbase Limited	Interest of a controlled corporation	Corporate	66,120,000	13.88%

Notes:

1. Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited, Glamour House Limited, Mr. Chan Chi Ming and Mr. Chau Tak Tin.

2. Aldgate Agents Limited is a wholly owned subsidiary of New World Cyberbase Limited, a company listed on the Stock Exchange (stock code 276). Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, as at 30 September 2006, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

COMPETING INTERESTS

Pursuant to Rule 11.04 of the GEM Listing Rules, as at 30 September 2006, the interest of each Director, management shareholder (as defined in the GEM Listing Rules) and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group is set out below:

Substantial Shareholder	Entity that competes or may compete with business of the Group	Competing business of the entity
New World Cyberbase Limited	New World Cyberbase Limited	Provision of total e-Business solutions including software products, application total solutions and information technology services in the Greater China Region

Save as disclosed above, none of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2006.

CORPORATE GOVERNANCE REPORT

In the opinion of the Directors, the Company had complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the period ended 30 September 2006 except that the Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest but not greater than one-third) shall retire from office by rotation provided that the chairman of the board and /or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman and the managing director, all directors are subject to retirement by rotation. The management considered that there is no imminent need to amend the Articles of Association of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period ended 30 September 2006.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Mr. Yang Zhenhong, and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 9 November 2006