



*Asian Information Resources*

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*(Holdings) Limited*

1st Quarterly Report 2000

1ST QUARTERLY REPORT 2000

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This document, 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Turnover increased by 25% to approximately HK\$2,938,000.
- Net loss increased to approximately HK\$2,796,000.
- The Directors do not recommend the payment of an interim dividend for the quarter ended 31st March, 2000.

## RESULTS

The board of directors (the “Board”) of Asian Information Resources (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited results of the Group for the quarter ended 31st March, 2000 together with the comparative unaudited figures for the corresponding period in 1999 as follows:

		<b>Quarter ended 31st March</b>	
		<b>2000</b>	1999
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Turnover	2	<b><u>2,938</u></b>	<u>2,353</u>
Cost of services and merchandise sold		<b><u>(1,453)</u></b>	<u>(723)</u>
Gross profit		<b>1,485</b>	1,630
Interest income		<b>1,792</b>	—
Selling, general and administrative expenses		<b>(6,259)</b>	(1,640)
Other operating income, net		<b><u>225</u></b>	<u>—</u>
Loss from operation		<b>(2,757)</b>	(10)
Share of loss of associated companies		<b>(56)</b>	—
Loss on reorganisation	3	<b><u>—</u></b>	<u>(861)</u>
Loss before taxation		<b>(2,813)</b>	(871)
Taxation	4	<b><u>(1)</u></b>	<u>—</u>
Loss after taxation but before minority interests		<b>(2,814)</b>	(871)
Minority interests		<b><u>18</u></b>	<u>7</u>
Net loss		<b><u>(2,796)</u></b>	<u>(864)</u>
Loss per share			
— Basic	5	<b><u>(0.58 cents)</u></b>	<u>(0.38 cents)</u>
— Diluted		<b><u>N/A</u></b>	<u>N/A</u>

Notes:

### 1. Group reorganisation and basis of presentation of financial statements

The Company was incorporated in the Cayman Islands on 4th October, 1999 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited ("GEM") since 16th December, 1999.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the Group on 1st December, 1999. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the results for the quarter ended 31st March, 1999 have been prepared on the basis of merger accounting as if the current group structure had been in existence since 1st January, 1999.

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of on-line content information and related technical services, Internet solutions and consultancy services, and e-commerce services.

### 2. Turnover

Analysis of turnover in the results of the Group on the basis set out in note 1 above was as follows:

	<b>Quarter ended 31st March</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Content solutions services		
— distribution fees	<b>505</b>	375
— project fees	<b>263</b>	1,150
Internet solutions services	<b>1,588</b>	573
Others		
— consultancy project fees	<b>544</b>	195
— sales of computer accessories	<b>38</b>	60
	<hr/> <b>2,938</b> <hr/>	<hr/> 2,353 <hr/>
Total turnover	<b>2,938</b>	2,353

### 3. Loss on reorganisation

Loss on reorganisation comprised:

	<b>Quarter ended 31st March</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Decrease in the Group's net assets on acquisition of 18% interest in GZ01(a)	—	500
Decrease in the Group's share of net assets in a subsidiary (b)	—	361
	<hr/> — <hr/>	<hr/> 861 <hr/>
	<b>—</b>	861

- (a) In January, 1999, the Group acquired an additional 18% interest in Guangzhou Lingyi Network Company Limited (“GZ01”), which then became a 63% owned subsidiary of the Group. The difference between the consideration paid and the Group’s share of net assets of GZ01 after the transaction amounting to approximately \$500,000 is recorded in the consolidated results of the Group as loss on reorganisation.
- (b) In February, 1999, as part of the Group’s plan to streamline its operations in Mainland China, the Group disposed of its entire interest in GZ01, a company incorporated in Mainland China in which the Group had 63% beneficial interest, to the then minority shareholders of GZ01. In return, the Group, together with GZ01 (which then became unrelated to the Group), established Guangzhou AIR Network Company Limited (“GZAIR”), a sino-foreign equity joint venture incorporated in Mainland China, and GZ01 transferred certain of its assets and liabilities and its operations to GZAIR. As a result of such reorganisation, the Group’s share in net assets of GZAIR (being the successor of GZ01) was decreased by approximately \$361,000, which was recorded in the consolidated results of the Group as loss on reorganisation.

#### 4. Taxation

	Quarter ended 31st March	
	2000	1999
	HK\$’000	HK\$’000
Hong Kong profits tax	—	—
Mainland Chinese enterprise income tax	<u>1</u>	<u>—</u>
	<u><b>1</b></u>	<u><b>—</b></u>

Hong Kong profits tax has been provided at the rate of 16% (1999-16%) on the estimated assessable profit for the year. During the period, there was no assessable profits arising in or derived from Hong Kong. Mainland Chinese enterprise income tax for Guangzhou AIR Network Company Limited and the Beijing representative office of Asian Information Resources Limited, have been provided at the rate of 33% on the estimated assessable profit for the period.

During the two quarters ended 31st March, 1999 and 2000, no profits or income tax was charged on the associated companies of the Group. According, there was no share of tax in the associated companies.

There was no material unprovided deferred taxation as at 31st March, 2000.

#### 5. Loss per share

The calculation of basic loss per share for the quarter ended 31st March, 2000 was based on the net loss of approximately HK\$2,796,000 (1999-HK\$864,000) and the weighted average of approximately 480,000,000 (1999-229,125,000) ordinary shares in issue during the period.

Diluted loss per share for the quarter ended 31st March, 2000 was not presented because there was no dilutive potential ordinary shares in existence during the period.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the quarter ended 31st March, 2000 (1999: Nil).

## **RESERVES**

There has been no transfer to or from reserves during the year.

## **BUSINESS REVIEW AND PROSPECT**

On behalf of the Board, I am pleased to present the operating results of the Group for the three months (the “First Quarter Period”) from 1st January 2000 to 31st March 2000.

The turnover of the Group for the First Quarter Period was HK\$2,938,000. When compared with the turnover of HK\$2,353,000 in the same period of 1999, it represents an increase of 25%. The increase was due to more contracts were secured from the Internet Solutions Services. The Group reported an unaudited loss of HK\$2,757,000 during the First Quarter Period. As the Group has signed up a lot of agreements with the information providers to secure content for the coming period, the cost in this area is increased. However, the Directors believe that after the information is classified and ready for distribution to the customers, revenue from this aspect will be increased accordingly. During the period, promotion and marketing expenses were also incurred for the launch of the new website Chinareference.com. Moreover, as the Group has just listed on GEM, in order to achieve the milestones mentioned in the Prospectus and extend the scope of product development, human resources deployed was increased. The staff number was increased from 28 in December 1999 to 52 as at the end of March 2000.

## **BUSINESS REVIEW**

As part of the Group’s business development plan to sustain long-term growth in the Internet age, the Group announced a new corporate structure to drive its three core businesses, namely content, information technology and e-commerce business.

Under the new corporate structure, two new wholly owned subsidiaries, known as Biztech Company Limited (“Biztech”) and Cyber Strategy Limited (“Cyber”), were set up. Together with the existing wholly owned subsidiary, Asian Information Resources Limited (“AIRHK”), the three wholly owned subsidiaries leverage each other’s strengths in bringing added value and substantial growth to the Group. The Group’s principal business will be pursued independently by each of the three wholly owned subsidiaries with its own separate management teams. As a result, the Group’s business development will be more focused. There is also greater flexibility and autonomy in strategic planning and marketing their services. The Directors believe the new structure will enhance the Group’s ability to capture greater opportunities and face the many challenges posed by the new economy.

## **1. Content Solutions Services**

AIRHK focuses on content solutions services, providing real-time and timely electronic business information and data on Greater China. The Group's aim is to become a leading electronic publishing group in the region. The Group realize that Internet business information providers currently face two major challenges - short product cycle and decreasing value of general content. As a result, the Group adopts a flexible business model with four revenue streams - purchases, subscriptions, licensing and advertising - to help generate stable income in the short and medium term, while at the same time fully exploit the long-term potential of publishing through all devices. As regards the problem of decreasing value of general content, our solution is to constantly enhance the value of the information and widen the distribution network and customer base. The Group is not just distributing information, it also participates in conducting research and producing reports. Unlike many other content providers, the Group owns the copyright to much of the information and data it distributes on the Internet.

The Group has signed an agreement with New China News Limited ("NCN") for the translation of Chinese laws and regulations for the period 1999-2000, which will help the Group expand its comprehensive database of Chinese laws and regulations. Under the agreement, by the end of June 2000, NCN will complete the Chinese to English translation of all laws and regulations announced by the State Council of the PRC from 1999 to 2000. The work includes more than 600 items of laws and regulations, amounting to nearly two million Chinese characters. The Group will own the copy right of the English translation copy. When completed, the bilingual Chinese laws and regulations database will be incorporated into Chinareference.com which can be accessed by the Group's customers as operators of portals and websites. Chinareference.com, recently launched by the Group, is the region's largest and most authoritative database of premium Greater China business information. Based on Internet technology, Chinareference.com supplies professional, timely and accurate business information to portals, websites and organisations that are actively developing business in China.

## **2. Internet Solutions Services**

Biztech is an IT company that provides cutting-edge Internet and e-commerce enabling technologies for corporate clients. It helps corporations re-engineer their business processes so that they can gain business advantages from this Internet age. It will collaborate closely with the research and development centre set up in South China of the PRC to provide innovative Internet solutions for corporations.

## **3. E-commerce Investment**

Cyber is an e-commerce company that focuses on investments in e-commerce ventures with strong industrial partnership. For many e-commerce venture funds, the challenge is not capital, technology or business concept, but the ability to execute the project. One of the most critical success is industry knowhow.

It was entered into an agreement with Guangzhou Construction Information Centre (“GCIC”) to launch a nationwide network of e-commerce operation for the PRC. The network will be built on the foundation of GCIC’s existing property website - www.myhome.com.cn. Myhome.com.cn was launched in 1999 by GCIC to provide information search, self-help intermediary and mortgage counseling services. Its comprehensive content and user-friendly features based on advanced technology has made it the leading property website in the PRC, attracting a large customer base. It is expected that by September 2000, a website for each major city in China would be built and become part of a nationwide network. The agreement allows the Group to establish its first electronic commerce platform for the PRC property business. Through this platform, the Group is able to expand into a new business area targeting the business-to-consumer (B2C) market in the PRC.

Cyber has also recently collaborated with Orienthomes.com Limited to jointly develop an interior décor web site - www.orienthomes.com, which will enable commercial and individual members to purchase home furnishings and related products on-line. All furniture and fittings offered on the site are made exclusively to oriental design concepts. The website is mainly aimed at the American and European markets. Target visitors and customers include professionals, as well as upmarket homeowners and interior designers.

## PROSPECTS

With the English translation of the Chinese laws and regulations to be completed in the second quarter of 2000, it is expected that the content of chinareference.com will be enriched and revenue will be increased accordingly. The establishment of a technical team in the South China will enhance the Group’s capacity to obtain more technical projects in the South China region. On the other hand, the Group will continue to look for potential e-commerce investments.

## DIRECTORS’ INTERESTS IN SHARES

As at 31st March, 2000, the following directors of the Company had or were deemed to have interest in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Leung Chung Wan	960,000	—	—	(note 1)
Mr. Chan Chi Ming	1,440,000	—	—	(note 1)
Ms. Tam Yee Wa, Jojo	1,200,000	—	—	(note 1)
Mr. Chau Tak Tin	—	—	—	(note 1)
Mr. Kwan Pun Fong, Vincent	—	—	—	(note 2)



*Note 1* : Asian Dynamics International Limited (“Asian Dynamics”) holds 264,480,000 shares of the Company. Asian Dynamics is beneficially owned, inter alia, as to 21.87% by Asian Wealth Incorporated, the entire issued share capital of which is owned by Mr. Leung Chung Wan; 14.16% by Mr. Chan Chi Ming; 6.51% by Ms. Tam Yee Wa, Jojo; and 10.94% by Mr. Chau Tak Tin.

*Note 2* : Hintful Capital Limited (“Hintful Capital”) holds 17,400,000 shares of the Company. Hintful Capital is beneficially owned, inter alia, as to 25% by Mr. Kwan Pun Fong, Vincent and 25% by Mr. Kwan’s spouse.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 31st March, 2000.

## **DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Pursuant to the Company’s share option scheme, certain employees of the Group (including executive directors of the Company) were granted share options to subscribe for share in the Company. On 25th January, 2000, Mr. Leung Chung Wan, Mr. Chan Chi Ming and Ms. Tam Yee Wa, Jojo were granted 320,000, 640,000 and 320,000 share options, respectively, to subscribe for the Company’s shares at an exercise price of \$0.89 exercisable at any time prior to 24th January, 2003. During the quarter ended 31st March, 2000, no option has been exercised by any Directors under the share option scheme.

Save as disclosed above, at no time during the period was the Company or any of its fellow subsidiaries or holding companies a party to any arrangements to enable any of the Company’s directors or members of its management to acquire benefits by means of the acquisition of shares, in or debt securities (including debentures) of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2000, the following entities (not being a director or chief executive of the Company) had or were deemed to have interests, being 10% or more in the issued share capital of the Company, as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

<b>Name</b>	<b>Note</b>	<b>Number of issued shares</b>	<b>Percentage of shareholding</b>
Asian Dynamics International Limited	1	264,480,000	55.10%
Denwell Enterprises Limited	2	61,994,112	12.92%
Asian Wealth Incorporated	3	57,841,776	12.05%
Aldgate Agents Limited	4	66,120,000	13.78%
New World CyberBase Limited	5	66,120,000	13.78%
Mr. Fok Chun Yue, Benjamin	6	61,994,112	12.92%

*Notes:*

1. Asian Dynamics International Limited is owned as to about 12.14% by Gradison Investment Limited, about 23.44% by Denwell Enterprises Limited, about 21.87% by Asian Wealth Incorporated, about 14.16% by Mr. Chan Chi Ming, about 6.51% by Ms. Tam Yee Wa, Jojo, about 10.94% by Mr. Chau Tak Tin and about 10.94% by Visionary Group Limited. Gradison Investment Limited is owned by Mr. Ho On Tat, Mr. Lo Chi Kin and Mr. Lam Yuk Wah in equal shares. The entire issued share capital of Denwell Enterprises Limited is owned by Mr. Fok Chun Yue, Benjamin. The entire issued share capital of Asian Wealth Incorporated is owned by Mr. Leung Chung Wan. Visionary Group Limited is owned by Ms. Leung Wing Yu, Bernice and Mr. Lo Wai Chun in equal shares.
2. These shares are attributable to Denwell Enterprises Limited in respect of its 23.44% interests in Asian Dynamics International Limited.
3. These shares are attributable to Asian Wealth Incorporated in respect of its 21.87% interests in Asian Dynamics International Limited.
4. Aldgate Agents Limited is a wholly owned subsidiary of New World CyberBase Limited, the securities of which are listed on the Main Board.
5. These shares are held by New World CyberBase Limited through Aldgate Agents Limited, which is its wholly owned subsidiary.
6. These shares are attributable to Mr. Fok Chun Yue, Benjamin in respect of his 100% interests in Denwell Enterprises Limited.

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance as at 31st March, 2000.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the quarter ended 31st March, 2000.

## **INTERESTS OF SPONSOR**

The interests of the Company's sponsor, Tai Fook Capital Limited ("Tai Fook") in the share capital of the Company as at 31st March, 2000 is summarized below:—

	<b>As at 31st March, 2000</b>
Tai Fook's employees (excluding directors)	Nil
Tai Fook's directors	Nil
Tai Fook	4,800,000
Tai Fook's associates	<u>11,180,000</u>
Total	<u><u>15,980,000</u></u>

Pursuant to the agreement dated 13th December, 1999 entered into between the Company and Tai Fook, Tai Fook has received and will receive a fee for acting as the Company's retained sponsor for the period from 16th December, 1999 to 31st December, 2001.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

## **YEAR 2000 COMPLIANCE**

All the computer system of the Company have passed the millennium date safely. As of the date of this report, the Company has not received any complaint relating to the Year 2000 issue from customers to whom the Company has rendered services and solutions.

## **AUDIT COMMITTEE**

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

By Order of the Board  
**Leung Chung Wan**  
*Chairman*

Hong Kong, 10th May, 2000