

Riding on the

Converging Forces

of the New Economy

Annual
Report
2000



AIR



Asian Information Resources
(Holdings) Limited

亞洲訊息(控股)有限公司
(Incorporated in the Cayman Islands)

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.

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 Stock 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.

Content

2	Corporate Information
4	Notice of Annual General Meeting
8	Business Highlights
10	Chairman's Statement
15	Business Review
30	Progress Against Business Objectives
36	Directors and Senior Management Profiles
42	Report of the Directors
51	Auditors' Report
53	Consolidated Income Statement
54	Balance Sheet
55	Consolidated Statement of Cash Flows
56	Notes to the Financial Statements



Corporate Information

Board of Directors

Mr. Leung Chung Wan
Mr. Chan Chi Ming
Ms. Tam Yee Wa Jojo
Mr. Chau Tak Tin*
Ms. Yvette Ong*
Mr. Kwan Pun Fong Vincent*
Mr. To Hin Tsun Gerald**
Mr. Peter Francis Amour**
Mr. Law Shiu Kai Andrew**

* Non-Executive Director

** Independent Non-Executive Director

Compliance Officer

Mr. Chan Chi Ming

Company Secretary

Mr. Vincent Tung

Qualified Accountant

Mr. Vincent Tung

Audit Committee

Mr. To Hin Tsun Gerald
Mr. Peter Francis Amour
Mr. Law Shiu Kai Andrew

Sponsor

Tai Fook Capital Limited
25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

Auditors

Arthur Andersen & Co

Solicitors

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

As to Hong Kong Law
Kwok & Yih

Head Office and Principal Place of Business	19th Floor, First Pacific Bank Centre 56 Gloucester Road Wanchai Hong Kong
Website of the Company	<i>www.8025.com</i>
Registered Office	Zephyr House Mary Street George Town Grand Cayman Cayman Islands British West Indies
Principal Share Registrar and Transfer Office	Bank of Butterfield International (Cayman) Ltd. Butterfield House Fort Street P. O. Box 705 George Town Grand Cayman Cayman Islands British West Indies
Hong Kong Branch Share Registrar and Transfer Office	Hong Kong Registrars Limited 2nd Floor, Vicwood Plaza 199 Des Voeux Road Central Hong Kong
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank Dao Heng Bank Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Asian Information Resources (Holdings) Limited (“the Company”) will be held at 19th Floor, First Pacific Bank Centre, 56 Gloucester Road, Wanchai, Hong Kong on Thursday, 26th April, 2001 at 3:30 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2000;
2. To re-elect retiring Directors and authorise the Board of Directors to fix their remuneration;
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

4. **THAT:**

- (a) subject to paragraph (c) below of this Resolution no. 4, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.10 each in the capital of the Company (“the Shares”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares; or (iii) the exercise of any option under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares; or (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; shall not exceed the aggregate of:

(i) 20 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution; and

(ii) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to passing this Resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law of the Cayman Islands or any other applicable law of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution; and

“Rights Issue” means an offer of Shares, or offer or issue of warrant, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to

their then holdings of shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong applicable to the Company).

5. **THAT:**

- (a) Subject to paragraph (b) below of this Resolution no. 5, the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to repurchase its Shares on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited, the articles of association of the Company, the Companies Law of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolutions, "Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company; or
 - (ii) the expiration of the period within which the next annual gneral meeting of the Company is required by the articles of association of the Company, the Companies Law of the Cayman Islands or any other applicable law of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

6. **THAT**, subject to the passing of the Ordinary Resolutions no. 4 and 5, the Directors of the Company be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.

By Order of the Board

Vincent Tung

Company Secretary

Hong Kong, 23rd March, 2001

Registered Office:

Zephyr House, Mary Street,
George Town, Grand Cayman,
Cayman Islands, British West Indies

Head Office and Principal Place of Business:

19th Floor, First Pacific Bank Centre,
56 Gloucester Road, Wanchai,
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
3. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
4. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited will be set out in a separate document to be despatched to the shareholders with the annual report for the year ended 31st December, 2000.



BUSINESS HIGHLIGHTS

Thinking small
Regional innovators in the dot-com space

As we step into the year with the industry's attention on the dot-com boom and bust, many of the Asia-based innovators in being highlighted by the press.

The Hong Kong-based Asia Information Resources (AIR) is an example of a regional company embracing a business model, adding to the mix of regional innovators. The firm's business model is based on providing a B2B platform for the Asia-based business community. The company also provides a range of services to its clients.



Thinking small
Regional innovators in the dot-com space

As we step into the year with the industry's attention on the dot-com boom and bust, many of the Asia-based innovators in being highlighted by the press.

The Hong Kong-based Asia Information Resources (AIR) is an example of a regional company embracing a business model, adding to the mix of regional innovators. The firm's business model is based on providing a B2B platform for the Asia-based business community. The company also provides a range of services to its clients.

匯商網推銷B2B平台

【本報訊】匯商網（10025）宣佈，其下屬匯商網國際電子商務平台（Aircyber.com）已吸納9萬名客戶。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

Chiefs targeted for certificate courses

【本報訊】匯商網宣佈，其下屬匯商網國際電子商務平台（Aircyber.com）已吸納9萬名客戶。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

日本市場

【本報訊】匯商網宣佈，其下屬匯商網國際電子商務平台（Aircyber.com）已吸納9萬名客戶。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

亞訊寶藏待發掘

【本報訊】匯商網宣佈，其下屬匯商網國際電子商務平台（Aircyber.com）已吸納9萬名客戶。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。



Chiefs targeted for certificate courses

【本報訊】匯商網宣佈，其下屬匯商網國際電子商務平台（Aircyber.com）已吸納9萬名客戶。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

亞訊寶藏待發掘

【本報訊】匯商網宣佈，其下屬匯商網國際電子商務平台（Aircyber.com）已吸納9萬名客戶。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

匯商網表示，該平台已成為亞洲最大的B2B電子商務平台，為全球企業提供一個線上交易的平台。該平台提供多種服務，包括產品展示、詢價、交易等。

- February 2001

Mr. Chan Chi Ming is frequently interviewed by local and regional media to comment on the Internet trend and unveil the Group's latest developments. In February 2001, Mr. Chan Chi Ming was invited on the television programme of "Business Wise" of Phoenix Satellite which was broadcasted in the PRC and Taiwan (see 1st row, 2nd photo).
- January 2001

The launch of online education platform, *ChinaCyberU.net*, was held on 16th January, 2001. Mr. Leung Chung Wan officiated at the press conference and unveiled the debut roll-out of thematic WTO certificate course (see 1st row, 1st photo).
- October 2000

Senior management of Comfirm.com AB was present to conclude the joint venture agreement in Hong Kong with Mr. Chan Chi Ming and Mr. Yip Chun Yu. The landmark alliance with Comfirm.com AB, the developer of one of the Europe's largest eMarketplace, signified the Group's globalization strategy to spearhead its foray into the European market (see 1st row, 3rd photo).
- August 2000

Following the announcement of corporate restructure in March 2000, Mr. Chan Chi Ming (left), Mr. Leung Chung Wan (middle) and Ms. Tam Yee Wa Jojo (right) updated the analysts on the Group's latest development in August 2000 (see 2nd row, 3rd photo).
- July 2000

Mr. Yang Tianxing, President of CCID Consulting Company Limited ("CCID") (right), and Mr. Chan Chi Ming (left) jointly officiated at the contract signing ceremony held in Beijing, the PRC. The Group entered into an exclusive agreement with CCID in July 2000. Pursuant to the agreement, the Group was entitled to sell and distribute all CCID's IT reports in printed and electronic formats outside the PRC (see 2nd row, 2nd photo).
- March 2000

Inaugurating at the press conference in March 2000, Mr. Chan Chi Ming unveiled the Group's move to define its business into three core areas: content, IT enabling technology and strategic investment. The new corporate structure strategically positioned the Group to tap into the opportunities arising from the converging forces of the new economy (see 2nd row, 1st photo).
- February 2001

China Cyber University Limited adopted the Chinese features to differentiate itself from the traditional education institutions in the Education & Careers Expo 2001 held on 15th to 18th February, 2001. The online education platform has signed exclusive partnerships with renowned tertiary institutions in the PRC to offer online courses outside the PRC (see 1st row, 1st photo).
- December 2000 and January 2001

The Group's brand building was amplified via a spate of overseas marketing campaigns, including the Online Information Expo 2000 in December 2000 (left) and American Library Expo in January 2001 (right). These campaigns envisioned the Group's globalization path in content publishing business (see 3rd row, 2nd photo).
- December 2000

The Group jointly hosted a press conference with CCID Consulting Company Limited ("CCID"). The senior management of CCID, including Mr. Xu Mutu, Senior Consultant (middle), Mr. Yang Tianxing, President (right 3) and Mr. Luo Wen, Executive President (right 1), accompanied with the honourable guest Mr. Yeung Wai Keung, Director of TCL Group (right 2), arrived at Hong Kong on 14th December, 2000 to deliver the findings of research reports on the PRC market. Mr. Chan Kai Chung John (left 1), Ms. Chan Ping (left 2) and Ms. Tam Yee Wa Jojo (left 3) from the Group were also present in the event (see 3rd row, 1st photo).
- November 2000

The Group demonstrated its content portal, IT enabling technology and strategic investment portfolio in "Internet World Asia @ Hong Kong 2000" in November 2000 (see 2nd row).
- October 2000

In recognition of the successful business model, Advantage Mortgage Services Limited was honoured "e-innovative Enterprise Bronze Award" by Standard Chartered Bank in October 2000. Mr. Ivan Ko, co-founder and chief executive officer of the company, received the trophy at the prize presentation ceremony. Advantage Mortgage Services Limited, set up in August 1999, is one of the largest property eBrokers in local market (see 4th row).
- October 2000

The Swedish company, Comfirm.com AB, exhibited its European eMarketplace, *ElectronicEuromarket.com*, in 3C Expo 2000 in Dongguan, the PRC, in October 2000. The enormous demand to reach eCommerce markets for business opportunities was witnessed at the Expo. Under the contract signed with the Group, a joint venture, Comfirm (China) Limited, was set up to establish a global trade network via its first product *ConfirmAsia.com* (see 1st row, 2nd photo).
- March 2000

The soft launch of *ChinaReference.com*, a portal featuring a comprehensive database of PRC-related market intelligence, took place on 27th March, 2000. Honourable guests, including Dr. Charles K. Kao, the former vice-chancellor of the Chinese University of Hong Kong (left 3) and Mr. Chu Zhi Nong, Deputy General of Education, Science and Technology Department of Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (right 3) and the senior management of the Group joined hands to kick off the ceremonial act (see 1st row, 3rd photo).

Chairman's Statement



The year 2000 was critical for all those involved in the Internet-related business. The beleaguered Internet environment both in the United States and Hong Kong brings back to reality a lot of unrealistic expectations. Investors have become much more cautious about the prospects of Internet players. While painful, the market correction will be a positive trend in the long run. This provides an opportunity for serious players like us to thrive.

Predications about the future of the Internet world are as varied as it could be. Some commentators noted that over 20% of companies listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited would close down within the next 12 to 18 months because of a lack of funds¹. According to a research from Beijing-based CCID Consulting Company Limited, only 20.3% of 17 million Internet users in the People's Republic of China ("the PRC") have positive attitude towards online shopping and few had actually bought anything from the web². On the contrary research findings from Forrester Research, Inc. pointed that eCommerce transaction volume would increase one-fold to US\$13 billion in 2001 on a worldwide basis and by 2002 the amount would spiral to US\$21.4 billion (see Figure 1).

These contrasting views are an indication of the fluid state of the Internet development. While there is no doubt the Internet is here to stay at the moment, the market is not mature enough to support the large number of Internet players and this resulted in a crowding-out effect. The consequence is that the market will be dominated by a much fewer companies that have the right strategies and resources.

That is why in the past year, the Company and its subsidiaries ("the Group") have undergone a series of changes that aimed at placing the Group squarely in front of the challenges. Investment strategies have been geared to meet these changes. These may forgo our profitability in the short term but the long term benefits they bring should far outweigh the loss today.

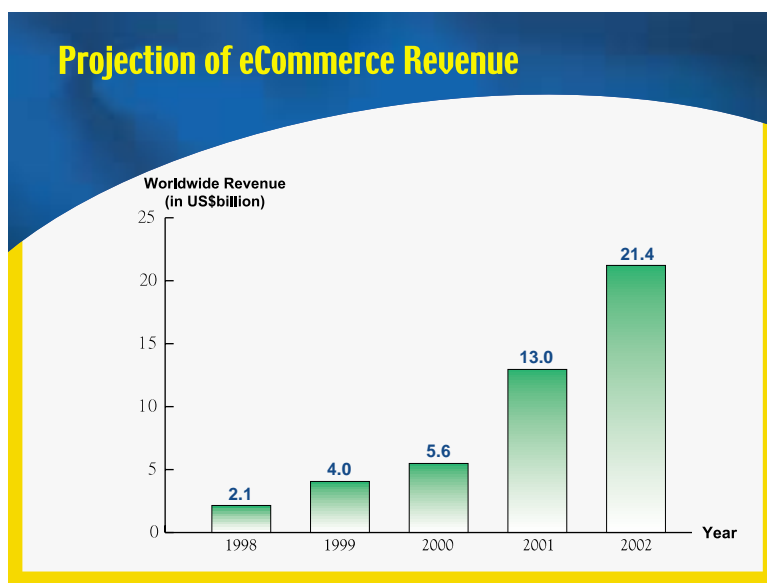
Our principal businesses are clearly defined. More importantly, we are building up a sound and scalable business with solid revenue model and now positioned in the strong growth areas in the Internet sector, aiming to exploit the Internet's full business potential, especially in the PRC.

The Group is now engaged in three key areas of the business: content, IT enabling technology and strategic investment.

In the content business, our efforts and resources last year were devoted to establish ourselves in the global market by extending our customer reach and securing a stable income source, and thereby laying the foundation for a solid future. This is done through strengthening the quality of the information, enlarging the distribution channels and most importantly, researching into testing new service applications that give more values to the information. Our products can now reach over 80% of the potential users worldwide. We believe by providing unique information products for the specific interest of targeted customer groups, our products can command a higher premium in the market.

We are very confident in the prospects in this business. Another research from Forrester Research, Inc. projected that by 2004, the spending on online business information in North America will rise to approximately US\$7 billion (see Figure 2). We expect a substantial portion of the spending will be on the PRC-related information and market intelligence. As a forerunner with unrelenting commitment in this area, we will clearly benefit.

Aside from the quality and packaging of the information, delivery medium is also of utmost importance. That is why we have committed resources to explore new media, such as the mobile platform. With this platform, we can exploit fully the potential of Internet and mobile communications by offering innovative services to the market, via mobile phones, personal digital assistants and pagers, etc. Mobility could be the next great driver of Internet growth and the Group is determined not to miss out.



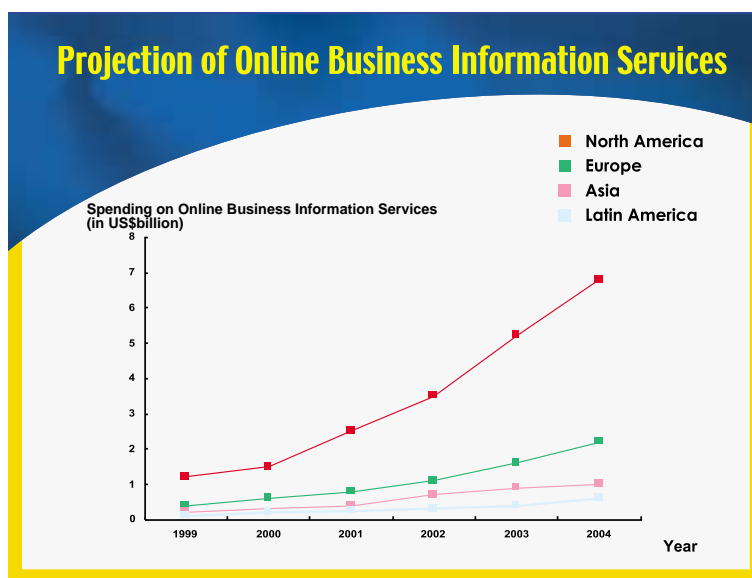
Source: Forrester Research, Inc.

Figure 1

Our IT enabling technology business has negotiated a new path in 2000. Realizing the slim prospect of systems integration in Hong Kong, we swiftly identified a much focused market positioning. Through mergers and acquisitions, we are now prepared to take on the software development business in the PRC with enhanced research and development capability. We are better positioned ourselves to advise traditional companies on their Internet and software applications in the PRC and Hong Kong. And we can do it now with a lower cost base and improved efficiency. In the coming years, there will be more organic growth in this business.

Strategic investment was another major focus last year. We now hold a portfolio of companies that have strong growth potential. Having examined the market reality, the Group will now focus on companies which can successfully weave the Internet into traditional business model. The launch of an online education platform in January 2001 is one of the very examples in this initiative. China Cyber University Limited pioneers to bring the world class courses from the renowned PRC's tertiary institutions to Hong Kong and the rest of the world via the Internet platform. Our new focus lands us on a solid market position with sound business approach that will allow us to emerge as a winner going forward.

In November 2000, the Group formed a joint venture with Comfirm.com AB, a renowned European company, to offer an eCommerce platform between the PRC and Europe. On the platform, the PRC merchants can leap into the European market, harnessing the power of the Internet. This is also a significant move of the Group as it is the first such eCommerce platform between the two key trading partners. In addition to bringing us future income, it allows us to further explore business relationships in Continental Europe and greatly enhances our credibility and reputation among the European business community.



Source: Forrester Research, Inc.

Figure 2

With the clear investment focus, we have adjusted the approach of our strategic investment business, with the aim to hold strong growth potential companies. We will be actively involved in the day-to-day operations of these companies and expect them to contribute profits to the Group. On the other hand, for companies that are already well managed and matured, we will look out for exit opportunities to create capital gain for our shareholders.

Though we failed to turn into profit in 2000, our future is bright. We base our optimism on two factors. Firstly, the imminent accession of the PRC to World Trade Organization will peak the interest in the PRC and drive up the demand for the PRC-related business intelligence. As a forerunner in this field, we have accumulated significant advantages and will directly benefit. Secondly, the opening of the PRC will induce major changes to its capital market. The PRC government will promulgate new policies to allow foreign investors to commit in sensitive and high growth sectors such as telecommunications and the Internet. The Group will benefit from this open policy by serving as an international exchange platform for the flourishing business opportunities. With our market knowledge and connection, we will enjoy early access to quality projects at a relatively low price. At the same time, as foreign investors seek quality investments, we will have the opportunity to realize capital gains from our existing investments.

Looking ahead, our goal will be to build our three businesses with a focus on the PRC, and on integrating the local and the PRC markets to capitalize on business opportunities in the region. The Group will not rest on its laurels. We will set our sights not just in the PRC market but the global marketplace. The advent of globalization will further open up a vista of opportunities between the PRC and the rest of the world. The Group is best placed to function as a bridge that would facilitate the interflow of information and business. With our existing expertise, market agility, technical expertise and sound financial resources, we can and will seize the many new business opportunities offered by the digital marketplace. I am confident that we can meet the challenges posed in this new and exciting business environment and make us a strong company to reckon with in the new economy.



Leung Chung Wan
Chairman

¹ Reported from Mr. Liu Tat Yin, Partner at Arthur Andersen & Co on Apple Daily 3rd January, 2001.

² The research was conducted from 1st September, 2000 to 15th November, 2000 in Beijing, Shanghai, Guangzhou and four other major cities in the PRC.

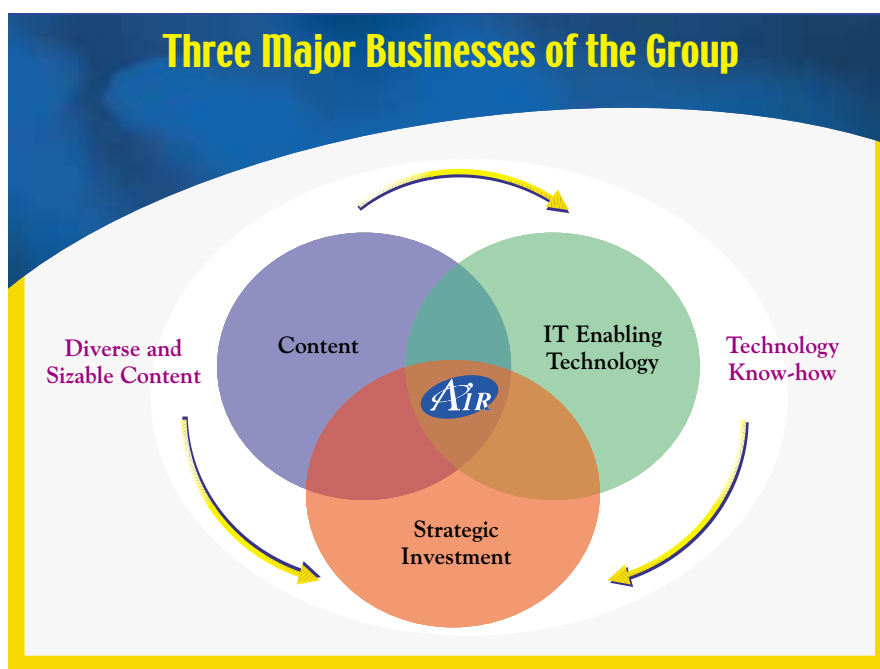
Our Vision

To exploit the new business opportunities arising from the **convergence of information technology, media, and telecommunications** in the Internet age.

Business Review

The year under review was a challenging one for the Group and the whole Internet industry. Faced with fast changing market conditions and shifting sentiments for the Internet business, the Group responded swiftly and aligned the focus of its three main areas of businesses in order to derive the maximum value for its shareholders and minimize business risk and potential downside.

The Group managed to move ahead and laid down a solid foundation for future growth. This reflected its underlying business strengths and commitment to build a balanced business in the new economy.



Netscape:

Forward

Reload

Home

Search

Netscape

Images

Print

Links

Help

http://www.

WWW

Rebound raises caution

A Wealth of Greater China Intelligence

Continental	0.27	0.90
Continental	0.32	6.3
Cosco Group	5.90	
Cosco Int'l Holding	0.68	0.7
China Pacific	2.45	
Technology		

0.15	15.42	3.18	0.187
0.51	11.81	7.35	0.05
4.19	3.22	12.24	0.20
1.59	3.99		
	77.14		

104
120
118
122

Dah Sing		
Dah Sing Fin		
Daldo Group	0.72	0.6
Dalwin Group	0.56	0.28

Content

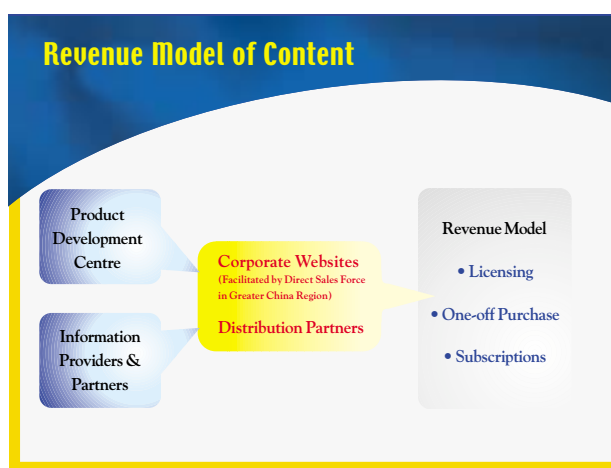
Online Content Publishing

Online content publishing is the core business of the Group. Last year, the Group had committed significant resources to build a sound revenue base by providing the market with premium products. In addition to securing new information and translating research reports, the Group had started the preparation for launching its own branded research products from the second half of 2000. In the third quarter, the Group had set up a research team ready for initiating proprietary research products. Efforts had been made in forming new partnerships and distributorship arrangements. These resulted in new distribution partnerships being reached in the first quarter of 2001. A sales team had also been formed in Guangzhou, the People's Republic of China ("the PRC"), at the same time. While these moves entailed hefty expenditures, which affected the performance of the Group for the year, they built a solid foundation for long term business growth.

The Group now comprises four content acquisition models:

- (1) non-exclusive licensing,
- (2) exclusive licensing and partial ownership of the copyright of the content or partial ownership of the company which owns the copyright of the content,
- (3) full ownership of the copyright of the content by acquisition, and
- (4) development of proprietary products through the Group's newly formed research team.

To upgrade the research capability and the quality of the content on the PRC business intelligence, the Group has expanded its Beijing office into a product development centre in the fourth quarter of 2000. Besides creating its own copyright products, the Group has started to implement plans to bring in overseas business intelligence by forging global alliances with analytical and editorial expertise to further upgrade the quality of its research reports.



In preparing its own branded research products, the Group is transforming itself from an information aggregator and a mere online content provider to a developer producing exclusive proprietary research reports under its own right. One of the Group's new product initiatives is the provision of branded information in digital format via electronic channels which will be launched in the second quarter of 2001.

The major milestones are highlighted as follows:

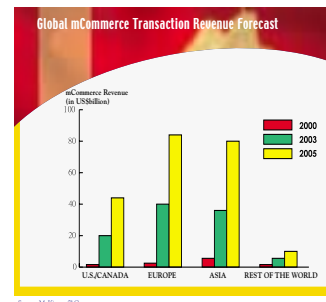
- The Group reached a three-year agreement with All China Marketing Research Company Limited, a unit under the State Statistical Bureau of China, for the publication of exclusive and premium-based intelligence reports annually. The reports cover major industries in the PRC, and touched on market statistics, comparative data, analyses and forecasts. Another exclusive agreement was made with CCID Consulting Company Limited ("CCID"), a subsidiary of the Ministry of Information Industry of the PRC to sell and distribute all CCID's IT reports in printed and electronic formats.
- A two-year agreement with New China News Limited was reached in March 2000 for publishing news and macro-economic information supplied by Xinhua News Agency in English on the Internet. The content is licensed to major portals in the Greater China Region.
- *Chinareference.com* was launched in March 2000 as a portal containing a large database of business information on the PRC. In a bid to add value to the information, the portal is being overhauled with an aim to provide specific intelligence which is sought after by the international business community. The revamped *Chinareference.com* is targeted to be relaunched in the mid of 2001. In addition, a number of market niche portals, including *Lawsofchina.com*, *Researchofchina.com* and *eNewsofchina.com*, are planned to launch before the third quarter of 2001.

- In view of the fact that the PRC's entry to World Trade Organization ("WTO") would create huge demand for the PRC-oriented business and legal information, a sales office was set up in Taiwan in November 2000. This would allow the Group to penetrate better into the Taiwan market.
- In line with its globalization initiatives, the Group sealed partnership agreements with multiple content distribution heavyweights outside the Greater China Region, targeting worldwide potential users and subscribers. They include Thomson Financial Research, Mindbranch, Geomarkets, Inc., Factiva, Info Access, Dialog and MarketResearch.com, Inc. as well as Asian Biz Club. As part of its expansion strategy, the Group has plans to employ more territory distributors in the Asia Pacific Region.

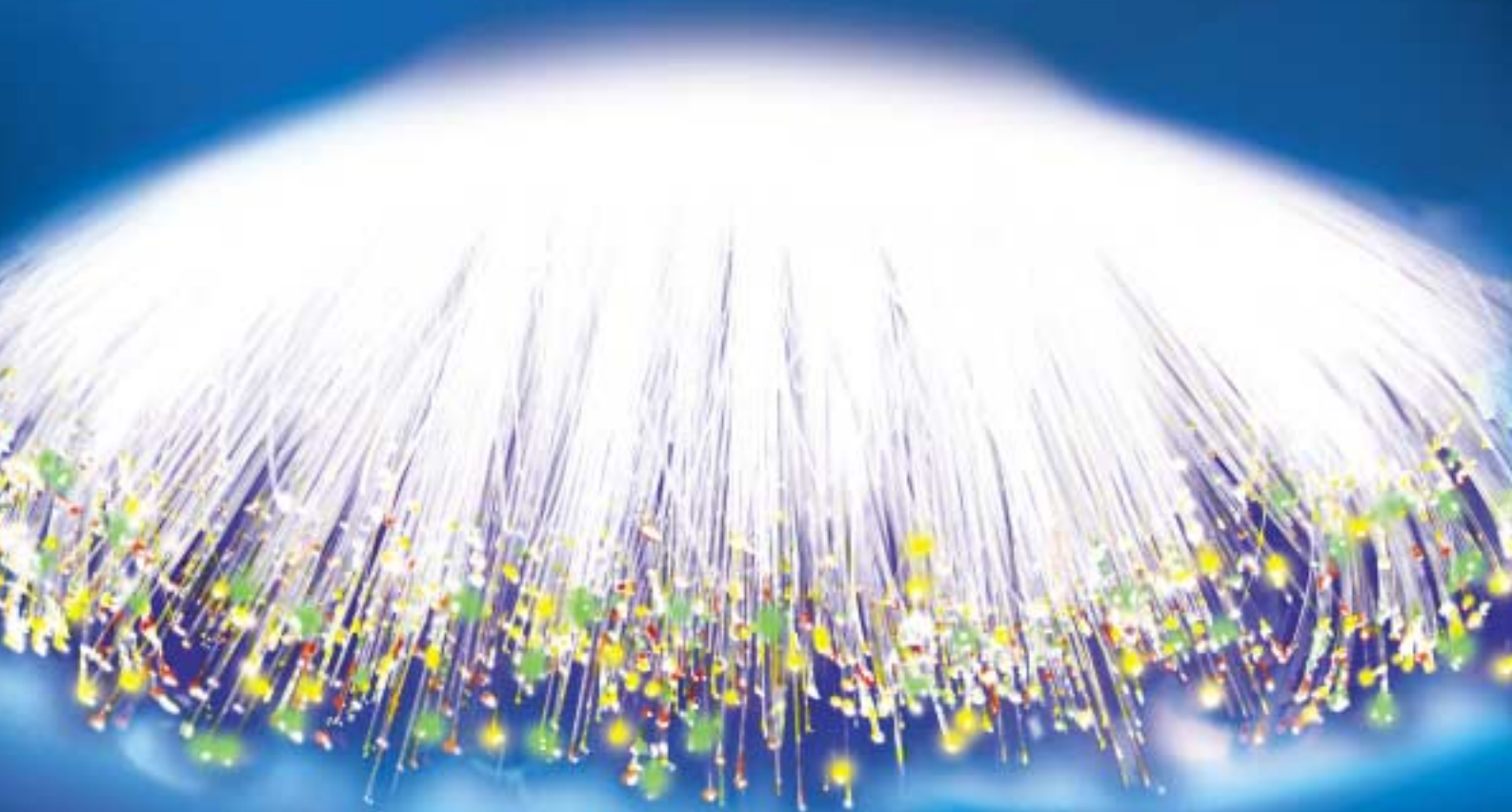
Wireless Access

The world is going mobile and the Group is planning to lead the world in order to capitalize on the booming wireless communication market. The Group set up Air Communications (Asia) Limited in September 2000. Through this move, the Group aims at pioneering the distinctive multi-media market as well as providing mass news content to capture the market share. It has initiated technological development to create a solid mobile platform for the provision of innovative "voice on demand" Short Message Services and Wireless Application Protocol ("WAP") services in co-operation with leading mobile operators in the Greater China Region. This platform enables the mobile operators to offer an array of valued-added services to their customers. The service will commence trial in May 2001 with Guangdong Mobile Communication Company Limited in Guangdong Province, the PRC, which accounts for approximately 20% of the total mobile market of the PRC, equivalent to 10 million users. It is believed that the immense market potential in this service will benefit the Group over the long run.

In Taiwan, the Group has secured agreements to provide WAP services in co-operation with TelePaq Technology Inc., KG Telecommunications Co., Ltd. and YesMobile Limited. The mobile business is further enhanced by the partnership agreement with the Taiwan Cellular Corporation, a leading operator in Taiwan, to provide Hong Kong and the PRC news to Taiwan mobile users. This service has been under trial since March 2001 and the trial will complete in April 2001.



Guiding Your Way to eBusiness Success



IT Enabling Technology

In response to the growing demand from traditional businesses to make the most in eBusiness, the Group spearheaded to provide IT enabling technology services in 2000.

The highly competitive business environment in Hong Kong in 2000 had trimmed the profit margin of small scale systems integration (“SI”) projects. The Group maneuvered the situation by steering the business focus into the PRC market and adopted a targeted mergers and acquisitions strategy to rapidly build up its research and development (“R&D”) force and software development skills.

The following repositioning strategies were implemented during the year under review:

- In May 2000, the Group established a R&D centre in Guangzhou, the PRC, namely Guangzhou Shilian Software Technological Co., Ltd. (“Shilian”). Shilian enhances the Group’s capability to design branded software products to the PRC market and enables the Group to capture customers in the southern region of the PRC.
- The Group has acquired a 63% stake in Cyber Quest Limited (“Cyber Quest”), a local software company engaging in the business of web hosting and software development, in November 2000. The acquisition allows the Group to tap into Cyber Quest’s strong development team based in Shenzhen, the PRC, and offer quality development services to its customers in Hong Kong.

As a result, the Group has enlarged its service offerings to include eBusiness enabling services and technology consulting, customer relationship management (“CRM”) and group co-ordination over a networking environment. It has taken on the capability to design and implement large scale Internet/ Intranet service platform and has successfully designed and implemented the Goldlion Digital Network Centre (金利來數碼網絡大廈) in Guangzhou, the PRC. The Group will further dive into the PRC market to exploit the huge potential.



**Nourishing eBusiness to
Its Full Potential**

Strategic Investment

During the year under review, the Group has built a portfolio of companies covering four cornerstones of the Internet economy, namely eCommerce, content & community, enabling technology and networking infrastructure.

The business performance of these portfolio companies varied, however. The market downturn and negative sentiments towards eCommerce business since the second quarter of 2000 have led to a slower-than-expected growth of the Business-to-Customer (“B2C”) eCommerce worldwide. The PRC market infrastructure for eCommerce, especially payment methods and credit systems, has not been fully developed. This has impeded the business performance of some of its B2C portfolio companies.

Anticipating this, the Group began to realign its investment focus away from B2C to technology-based and Business-to-Business (“B2B”) projects.

As a result of this new direction, the Group decided to scale down the operations of two online B2C businesses in the portfolio. On the other hand, for portfolio companies that have strong growth potential, the Group will continue to engage in their day-to-day operations to ensure their operational efficiency and profitability.

Below is an update of the progress in the Group’s portfolio companies:



Comfirm (China) Limited

Formed in November 2000, Comfirm (China) Limited is a joint venture company with a European firm, Comfirm.com AB. It is engaged in the provision of an online B2B eMarketplace with a Business Matching System, via its website, *ElectronicEuromarket.com*, in the PRC. The joint venture allows the PRC merchants to meet with their European counterparts via the Internet to conduct trade and business. As the PRC further opens its market to the rest of the world, including Europe, after WTO, the utilization of this platform will be very high. As a leading eMarketplace provider in Europe, Comfirm.com AB has active registered members of over 100 thousand. This provides a ready pool of potential trading partners for the joint venture. The Group expects that the joint venture will provide a steady stream of revenue when it is launched into operation in the mid of 2001.

lectureKIT.com



Lecture Kit Company Limited
靈卓傑有限公司

www.lecturekit.com



NET CONVERGENCE LIMITED
網絡互聯有限公司

www.netconvergence.com.hk

i-textile

www.i-textile.com



Advantage Mortgage Services Ltd.
惠澤按揭服務有限公司

www.admortgage.com

Lecture Kit Company Limited

Lecture Kit Company Limited launched *ChinaCyberU.net* in the first quarter of 2001 to offer an adaptive and multi-faceted curriculum of online courses. Its mission is to become a top-notch online education platform by establishing academic affiliations with renowned tertiary institutions in the PRC including School of Continuing Education, Tsinghua University (清華大學繼續教育學院), School of Network Education, Zhongshan University (中山大學網絡教育學院) and Distance Learning School, Zhejiang University (浙江大學遠程教育學院). Further alliances will be formed with reputable institutions in the PRC to provide the most accredited courses on the PRC. It is expected that, following the PRC's entry to WTO, demand for the PRC related courses will rise to the crest. This amplifies the vast business opportunities in the online education area ahead.

Net Convergence Limited

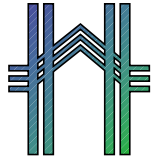
Launched in July 2000, Net Convergence Limited provides online unified messaging services ("UMS") through its platform *netmyoffice.com* targeting the Greater China Region. The UMS simulates a virtual office and is featured to cater both corporate and retail users. It visions to capture cross border communication needs, in particular for Hong Kong merchants engaging in the PRC trade. With the support of the Group, its service is marketed to those corporate clients under the Group's companies, deriving many synergistic benefits.

i-textile

The vertical industry portal offers real time online textile end-to-end global sourcing services to small-to-medium-sized garment and textile companies at a competitive price from textile mills in the region. During the year under review, i-textile (*i-textile.com*) has secured more than 5,000 corporate memberships and reached US\$2 million turnover over 250 transactions since March 2000.

Advantage Mortgage

In recognition of its successful business model, Advantage Mortgage was honored "e-nnovative Enterprise Bronze Award" by Standard Chartered Bank in October 2000. The professional mortgage brokerage firm, *admortgage.com*, reported significant growth in its business and brought steady commission income to the company. It recorded an average monthly loan referral amount over \$200 million, with agreements signed with 26 banks and financial institutions. In view of its high growth potential, the Group has strengthened its stake from 12.5% to 22.5% in the first quarter of 2001.

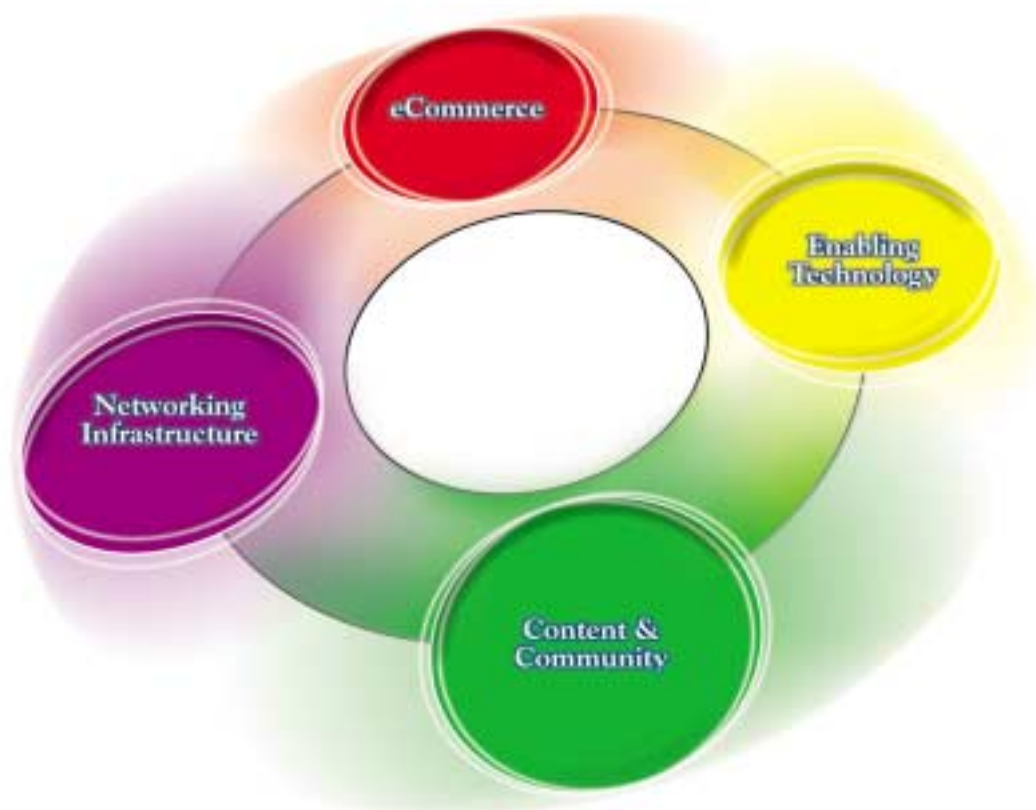


Myhome Network Limited
大中華地產網絡有限公司

www.myhome.com.cn

Myhome Network Limited

In April 2000, Myhome Network Limited (“Myhome”) reached an agreement with Guangzhou Construction Information Centre (“GCIC”) and this allows Myhome to establish its first eCommerce platform for the PRC property business under the foundation of GCIC’s existing property website — *myhome.com.cn*. The website targets homeowners and potential ones and provide them property-related services, such as intermediary and property counseling services. In addition, through the co-operation with GCIC, a subsidiary of Guangzhou Construction Committee, Myhome will enjoy a good penetration on the property market in Guangdong Province, the PRC. This enables Myhome to offer property-related eCommerce services to the PRC in future.



Four Cornerstones of Strategic Investment

Our Mission

To provide the international business community with valuable and exclusive China market intelligence; help traditional businesses to progress to the new business environment of the Internet age by offering the latest IT enabling technology, and provide a catalyst for the growth of eCommerce in Greater China by strategic investment.

Our strategy aims at, and succeeds in, exploiting the full potential of the Internet to deliver our services and to reach and service our customers better. Our three major businesses enjoy a strong synergy, yet they are delineated to focus on the provision of online information and electronic publishing, IT enabling technology and strategic investment for eCommerce operations.

Prospects

Looking ahead, the Group's emphasis will be centred on pursuing its three main businesses in the PRC, and integrating the local and the PRC markets to capitalize on the ample market upside and business opportunities.



In content business, the Group has devoted significant resources to secure premium content sources and cultivate high value adding content development. The Group will develop its own product brand through welding more distribution partnerships around the world and seek new revenue sources.

The Group will begin to see revenue from proprietary content provision when the first batch of its branded research reports on the PRC is available in the market in May 2001. The reports will be loaded onto the platform of the Group's global distribution partners in digital format for the widest possible access. This will allow the Group to capture a steady flow of revenue from content publishing.

The Group's unwavering commitment in online content publishing will further be evidenced by the launch of three thematic portals catering the targeted segments in 2001. The focused law portal, *Lawsofchina.com*, will cover abstracts, commentaries and critics of the PRC laws. The Group also plans to provide value-added consulting services to small-to-medium-sized enterprises ("SME"s) on the PRC laws and regulations. In addition, *Researchofchina.com* and *eNewsofchina.com* will also be launched to provide the PRC research and news database respectively to the international business community.

Making further headway in the mobile business, the Group, in collaboration with a European mobile titan, will bring in information management and application technology services in the PRC in the coming months. Given the partner's state-of-the-art technology, the Group is exclusively setting to roll out unique service to mobile operators in the PRC.

To thrive in the competition of IT enabling technology, the Group will strengthen the software development and consulting services. These software services are likely to receive strong demand under the PRC government's efforts in promoting the growth of domestic software industry. Encouraging response has been drawn so far among SMEs both in Hong Kong and the PRC, particularly for the CRM software and intranet packages. These packages are under trial by selected clients and are expected to generate revenue in 2001. The software business is highly scalable and can meet rising demand from the market quickly and economically.

The Group will seek to grow further through mergers and acquisitions to strengthen its software development and R&D capability. The Group will continue to seize synergy opportunities with existing eCommerce portfolio companies to co-develop and market software products and Intranet solutions for corporate users.


The strategic investment business will focus on technology-based and B2B projects and the Group's portfolio will consist of companies of combined strengths in online operations and traditional "bricks and mortars" business that would assure scalable and dynamic business growth. Priority will be given to companies that have strong market potential, solid business foundation, and competitive advantages. The Group's investments will emphasize companies which can complement one another on the operations. For instance, the UMS via the platform *netmyoffice.com* can be marketed through the Group's strategic partners such as Internet Service Providers in the PRC. The same service can also be made available to the customers of Comfirm (China) Limited as an additional value-added feature. Through these cross-selling arrangements, the UMS Service is expected to start contribution to the Group in the second half of 2001.

With the market foresight, technical expertise and sound financial resources, the Group is positioned on the forefront to scale new heights in the industry.

Liquidity and Financial Resources

As at 31st December, 2000, the Group had total assets of HK\$122,093,000 which were financed by current liabilities of HK\$19,334,000, non-current liability of HK\$84,000, minority interests of HK\$494,000 and capital and reserves of HK\$102,181,000.

As at 31st December, 2000, the net cash balance of the Group stood at HK\$73,595,000. The Group has a working capital ratio of approximately 5:1. The directors believe that the Group has a healthy working capital ratio.



Chan Chi Ming

Managing Director and Chief Executive Officer

Progress Against Business Objectives

Scheduled achievements in first half of 2000

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

Content Development

- | | |
|---|--|
| 1. Commence providing self-developed daily industrial news and periodical industrial reports covering selected industries in the PRC in Chinese and English | Industrial reports: Since March 2000, the Group has provided major industrial reports per month (both in Chinese and English). |
| 2. Commence providing periodical statistics and digest for about 30 major cities in the PRC | Daily industrial information: Since March 2000, the Group has provided 12 industrial information reports. The report was updated daily, and contained about 400 articles everyday.
Periodical statistics and digest concerning 30 major cities in the PRC has been provided. The digest is updated monthly, while the statistical information is updated half-yearly. |
| 3. Complete translation into English of the first batch of selected national laws and regulations of the PRC | The Group translated the national laws and regulations of the PRC for the years 1997, 1998 and 1999. There were total 350 pieces of translated regulations. |
| 4. Start providing city reports on investment guide, statistics, economy, social development and news for about 18 selected cities in the PRC | City reports on investment guides, statistics, economy, social development and other useful news concerning 14 selected cities were compiled as scheduled. The Group will compile similar city reports concerning other 4 selected cities in 2001. |
| 5. Commence providing periodical statistics and digest for about 13 selected Asian countries | Periodical statistics and digest concerning 13 selected Asian countries have been compiled. |

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

- | | |
|---|---|
| 6. Complete translation into Japanese of the first batch of the selected national laws and regulations of the PRC | The cost of Japanese translation does not justify the benefits brought to the Group as it is only tailored for the Japan market. Instead, the Group plans to sell English versions of the PRC laws which are also well received in Japan. |
| 7. Launch Chinese version of China professional business information package such as taxation, customs and duty | Reports on taxation policy for a total of 25 provinces and 10 cities in the PRC were completed. Reports for another 8 provinces and 12 cities will be provided in the near future. |

eCommerce Development

- | | |
|---|---|
| 1. Soft launch of the China Collections website through Oriental Cultural Resources Limited | The Group had sourced 24 pieces of Ming Qing Dynasty furniture for the soft launch for sale. The Group arranged an exhibition of the furniture in Guangzhou, the PRC, in August 2000 and printed product catalogues for promotion. The soft launch of the website through Buycollection.com Limited, formerly named as Oriental Cultural Resources Limited, took place in September 2000. |
|---|---|

Product and Technology Development

- | | |
|--|---|
| 1. Conduct the content and system re-engineering project | The content and system re-engineering projects were completed in June 2000. |
| 2. Launch the services which allow clients to put the Group's standard content package on their website through content licensing arrangements | The Group launched Chinareference.com in March 2000 followed with extensive marketing campaigns. Chinareference.com provided the resourceful and powerful knowledge support which included four major sections, namely ContentPartner, ContentPremium, ContentExpert and FreeZone respectively. As the Group aims at providing market-niche products to targeted customers, Chinareference.com is undergoing revamp and will be relaunched in the mid of 2001. |
| 3. Launch the services which provide user free content and receive the income through sharing the revenue from advertising | FreeZone of Chinareference.com had already been launched in March 2000 and was in full operation in June 2000. As free service of this kind proves to be not viable, it will be discarded following the revamp of Chinareference.com . |

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

Market Penetration

- | | |
|---|---|
| 1. Commence promotion campaigns in Hong Kong and Taiwan to promote the Group's products and to build up the Group's corporate image. Promotion activities include advertising on Internet and professional magazines in Hong Kong and Taiwan; bundling offer with business partners and direct mail | The Group proactively carried out on-going marketing campaigns, which include the official launch of <i>Chinareference.com</i> . Furthermore, the Group was extensively promoting the market research reports on the IT industry prepared by the PRC's CCID Consulting Company Limited, which reports were targeted at the IT and consulting firms via direct marketing campaign. The Group participated in the "Internet World Asia @ Hong Kong 2000" held in November 2000. |
| 2. Form a distribution partnership in PRC for delivery of the Group's content | In line with the sales force established in Guangzhou, the PRC, the Group plans to look for a local partner to distribute and promote the products and services in the mid of 2001. |
| 3. Set up a representative office in Taiwan, US and Australia | The Taiwan office was set up in November 2000. The Group has no urgency in setting up offices in the United States and Australia as the market situation will be monitored via its indirect channels to ascertain the appropriate timing for the establishment of representative offices. |

Resources Employment

- | | |
|--|---|
| 1. Employ additional staff for content development | During the six months ended 30th June, 2000, 5 additional staff for content development were employed. As at 30th June, 2000, there were total 6 staff for content development. |
| 2. Employ additional staff for editing work | During the six months ended 30th June, 2000, 1 additional staff for editing work was employed. As at 30th June, 2000, there were total 2 staff for editing work. |
| 3. Out-source the translation work to professional translators | The translation work of certain PRC laws and regulations, as well as the research reports, has been outsourced to professional translators. |
| 4. Employ additional staff for translation | During the six months ended 30th June, 2000, no additional staff for translation was employed. |
| 5. Employ additional full time editors | During the six months ended 30th June, 2000, 3 additional full time editors were employed. As at 30th June, 2000, there were total 4 full time editors. |
| 6. Employ additional technical staff for systems development | During the six months ended 30th June, 2000, 4 additional technical staff for systems development were employed. As at 30th June, 2000, there were total 6 technical staff for systems development. |

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

- | | |
|---|--|
| 7. Budget to be allocated for promotion campaigns | For the six months ended 30th June, 2000, the total costs for promotion campaigns amounted to approximately HK\$2,900,000. |
| 8. Budget to be allocated for setting-up representative offices | For the six months ended 30th June, 2000, the total costs for setting up representative offices amounted to approximately HK\$160,000. |
| 9. Budget to be allocated for eCommerce development | For the six months ended 30th June, 2000, the fund applied for eCommerce development amounted to approximately HK\$17,900,000. |

Scheduled achievements in second half of 2000

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

Content Development

- | | |
|---|--|
| 1. Complete translation into English of second batch of selected laws and regulations of the PRC | Translation of the second batch of selected laws and regulations had been completed by the end of November 2000. The whole spectrum encompassed 1,552 pieces of laws which totaled to 3,321,796 words. |
| 2. Complete digitization of prospectuses, interim reports and annual reports of all companies listed in Shanghai and Shenzhen | The Group is reviewing the market potential of the digitization of prospectuses, interim reports and annual reports. Instead, the Group completed the digitization of the companies profiles and posted them on <i>ChinaReference.com</i> in March 2000. |
| 3. Complete translation into Japanese of second batch of selected laws and regulations of the PRC | The translation has been aborted as the cost of translation does not justify the benefits brought to the Group. The Group plans to sell English version of the PRC laws |
| 4. Set up another content development centre in Shanghai, the PRC | As the Group has expanded its Beijing office into a product development centre with its own research team in the fourth quarter of 2000, there is no need for the Group to set up another content development centre in Shanghai, the PRC. |

eCommerce Development

- | | |
|---|--|
| 1. Launch the China collections website through Oriental Cultural Resources Limited | The website <i>BuyCollection.com</i> was launched in September 2000. |
|---|--|

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

Product and Technology Development

1. Launch the services which allow professional users to subscribe for standardized package from the Group directly
2. Launch SME web solutions package in Hong Kong
3. Launch legal office automations system, an office automation for law firms in Hong Kong

The *China*reference.com is undergoing revamp to provide more specific contents for the targeted groups, including professional users. The Group expects to launch the other 3 market niche portals before the third quarter of 2001, including *Laws*ofchina.com, *Research*ofchina.com and *eNews*ofchina.com.

Driven by the highly competitive local Application Service Providers market, the Group repositioned itself in the PRC targeting software development and systems integration projects in 2001.

The local market potential of office automation does not justify the Group to develop service of this kind. The Group is considering the feasibility of launching the service in the PRC.

Market Penetration

1. Form a distribution partnership in other countries such as US, Canada and Australia, respectively
2. Continue the promotion campaigns in Hong Kong and Taiwan. Commence global promotion campaigns to promote the Group's products and corporate image by advertising on Internet and international professional magazines, bundling offers with overseas business partners and direct mail in overseas. Commence participation in exhibitions and seminars

The Group sealed partnership agreements with world class distributors, including Thomson Financial, Dialog Corporation, Factiva, MarketResearch.com, Mindbranch, Inc., Geomarkets, Inc., Info Access Group and Asian Biz Club in the fourth quarter of 2000.

The Group had adjusted the business focus to form strategic partners to expand its global reach, instead of direct sales strategy.

The Group participated in a spate of overseas exhibitions, including "Taipei International eCommerce 2000" in November 2000 and "American Library Association Expo" in January 2001. These marketing campaigns offered opportunities to forge strategic ties with distribution heavyweights and built up its branding.

Besides, the Group committed in the "Internet Commerce Expo & Conference Hong Kong 2000" in July 2000 to exhibit *China*reference.com and showcased its strategic investment portfolio, IT enabling technology and on-line content portal in the "Internet World Asia @ Hong Kong Expo 2000" in November 2000.

According to the business objectives as stated in the Company's prospectus dated 7th December, 1999

Actual Business Progress

- | | |
|---|---|
| 3. Set up a representative office in Japan | Owing to the adverse sentiment towards Internet and eCommerce, the Group has been cautious in market expansion. The Group will leverage on the distribution partners to penetrate into Japan market which is more cost-effective than setting up a representative office. |
| 4. Form a distribution partnership in Japan | The Group was intent on scrutinizing business opportunities with distributors in Japan by the second half of 2001. |

Resources Employment

- | | |
|--|--|
| 1. Out-source the translation work to professional translators | The translation work of certain PRC laws and regulations, as well as the research reports, has been outsourced to professional translators. |
| 2. Employ additional staff for content development | During the six months ended 31st December, 2000, the Group employed 9 additional staff for content development in Beijing, the PRC. As at 31st December, 2000, there were total 15 staff for content development, 9 in Beijing, the PRC, and 6 in Hong Kong. |
| 3. Employ additional staff for editing work | During the six months ended 31st December, 2000, no additional staff for editing work was employed. As at 31st December, 2000, there were total 2 staff for editing work. |
| 4. Employ additional staff for translations | During the six months ended 31st December, 2000, no additional staff for translation was employed. |
| 5. Employ additional full time editors | During the six months ended 31st December, 2000, no additional full time editor was employed. As at 31st December, 2000, there were total 4 full time editors. |
| 6. Budget to be allocated for the digitization of the archives | For the six months ended 31st December, 2000, the total costs for digitization of the archives amounted to approximately HK\$85,000. |
| 7. Budget to be allocated for promotion campaigns | For the six months ended 31st December, 2000, the total costs for promotion campaigns amounted to approximately HK\$2,052,000. |
| 8. Budget to be allocated for setting up a representative office | For the six months ended 31st December, 2000, the total costs for setting up a representative office amounted to approximately HK\$1,592,000. |
| 9. Budget to be allocated for eCommerce development | For the six months ended 31st December, 2000, the fund applied for eCommerce development amounted approximately to HK\$1,588,000. |

Directors and Senior Management Profiles

Executive Directors

Mr. Leung Chung Wan

Mr. Leung, aged 50, is the Chairman of the Company. He is responsible for the strategic planning and development of the Group.

Mr. Leung has more than 25 years of experience in education and administrative management. Before joining the Group in 1996, he worked as division chief of the Department of Education, Science and Technology for Xinhua News Agency, Hong Kong Branch (the former name of Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region ("HKSAR")).

Mr. Leung was appointed by the Chief Executive of the HKSAR Government as a member of the Curriculum Development Council in 1999 and as a member of the Board of Review (Film Censorship) in 1997. As an appointed member of the steering committee of Hong Kong Education City in 2000, Mr. Leung has made many efforts to bring information technology into traditional education. He is also a member of Appeals Board (Education) and the newly founded Hong Kong Parent Education Board.

Mr. Leung has played a leading role in various community service bodies and makes a valuable contribution to the community, as honorary president of the Hong Kong East Parent Teacher Association Federation, President of the Alliance of Hong Kong Youth Groups, and president of the Hong Kong New Generation Cultural Association. In 2000, the HKSAR Government awarded Mr. Leung the Medal of Honor in recognition of his outstanding service and commitment to the community.

Mr. Chan Chi Ming

Mr. Chan, aged 39, is the Managing Director, Chief Executive Officer and one of the co-founders of the Company. He is responsible for the Group's daily operations and overall management. He sets the strategic direction, forges alliances, identifies and evaluates new ventures for the Group. He is also the Company's Compliance Officer. Prior to joining the Group in 1999, he studied and conducted research at several universities for more than 15 years.

He was appointed by the Asian Development Bank as consultant to a PRC legal information system project, acting as an electronic data expert for the follow-up project. Since 1995, he has assisted the Commission of Science and Technology of Dongguan City to build the city's Internet infrastructure, which is the city's major Internet service provider. He set up an electronic database system for the Law-On-Line database project of the University of Hong Kong and has provided technical consultancy on this project since 1993.

Mr. Chan holds a Bachelor of Science Degree and a Master of Philosophy Degree in Physics from the Chinese University of Hong Kong, and a LL.M Degree from University of Lancaster. Mr. Chan comments regularly on the PRC laws in the press.

Ms. Tam Yee Wa Jojo

Ms. Tam, aged 39, is the Chief Development Officer of the Group. She works closely with the Company's Chief Executive Officer to develop corporate business strategies, leads the Group's efforts in overall development and forges alliances and ventures for the company.

Before joining the Group in 1999, Ms. Tam conducted research and taught at various universities. In June 1991, she founded the human rights laws research and database project, which became the Law-On-Line database project in 1993 at the Faculty of Law at the University of Hong Kong. She has been a visiting researcher at the Global Information and Telecommunications Institute at Waseda University, Japan.

Ms. Tam has an academic background in media studies. She holds a Master's Degree in Development Studies and a Master's Degree in Law.

Non-Executive Directors

Mr. Chau Tak Tin

Mr. Chau, aged 44, joined the Group in 1998. He is the chairman of China Investment Council Limited, the person-in-charge of China VC Net Limited and the vice-president of the National Association of Collectors of China.

Mr. Chau has a Master's Degree in Philosophy from the Zhongshan University, the PRC.

Ms. Yvette Ong

Ms. Ong, aged 36, joined the Group in 1999. She has over 8 years of experience in the information technology industry. She is the managing director of New World CyberBase Limited which is a listed company in Hong Kong. Prior to joining New World CyberBase Limited, she was the managing director of AT&T EasyLink Services Asia Pacific Limited.

Ms. Ong holds a Master of Business Administration Degree in Marketing and Management Information Systems and a Bachelor Science of Degree in Finance and Management from the University of San Francisco, U.S.A..

Mr. Kwan Pun Fong Vincent

Mr. Kwan, aged 50, joined the Group in 1999. He is the managing director of Hintful Capital Limited. He has 24 years of corporate experience in the Asia Pacific, having spent a total of 16 years in Japan, Australia, Taiwan, China and Singapore, principally in the field of banking, finance, business development and corporate strategy. His personal involvement in high technology and experience in direct investment and venture capital dated back as early as 1988.

Independent Non-Executive Directors

Mr. To Hin Tsun Gerald

Mr. To, aged 51, has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. He is currently the senior and managing partner of Messrs T.S. Tong & Co., Solicitors and Notaries. He is also a non-executive director of five other listed companies in Hong Kong.

Mr. Peter Francis Amour

Mr. Amour, aged 42, is the managing director and co-founder of Axia Capital Partners Limited, which is a merchant bank headquartered in Hong Kong engaging in investment and corporate advisory activities. Mr. Amour is the chairman of SunCorp Technologies Limited, a listed company in Hong Kong. Mr. Amour is a registered investment adviser in Hong Kong and has been admitted to practise as a solicitor in Australia, the United Kingdom and Hong Kong.

Mr. Law Shiu Kai Andrew

Mr. Law, aged 41, is a solicitor qualified to practise in Hong Kong, Australia and the United Kingdom. He is currently a partner of Fong & Ng and the head of its Information Technology Law Practice Group. Mr. Law has devoted extensive efforts to both business and law relating to the information technology industry. Mr. Law has been honorary legal advisor to the Hong Kong Computer Society since 1988 and the chairman of Management and Technology for the Professional Practice Committee of the Law Society of Hong Kong since 1995.

Senior Management

Mr. Chan Kin Wah Billy

Mr. Chan, aged 37, is the Chief Financial Officer of the Group and is responsible for the financial control and management of the Group. Prior to joining the Group in 2001, he worked in the audit and accounting field for over 12 years and has over 8 years of working experience in listed companies.

Mr. Chan holds a Bachelor's Degree in Administration from the University of Ottawa in Canada and a Master's Degree in Professional Accounting from the University of New South Wales in Australia. He is an associate member of the Hong Kong Society of Accountants, a CPA member of the CPA Australia and a non-practising member of the Chinese Institute of Certified Public Accountants.

Ms. Leung Cheuk Chi Maria

Ms. Leung, aged 31, is the Director of Corporate Communications of the Group and is responsible for overall corporate communications activities and investor relations of the Group.

Prior to joining the Group in 2000, she was an account director at GCI Asia-Pacific Public Relations, where she headed the corporate team. She is a media veteran with almost 10 years of experience in that field. She had served in a variety of positions with leading publications and two local broadcasting companies in their news department. She was an editor of financial news and a news presenter for Asia Television Limited and had hosted some financial television programs in Asia.

Ms. Leung holds a Bachelor's Degree in English Language and Literature.

Ms. Chan Ping

Ms. Chan, aged 38, was appointed as the Chief Operating Officer of the content division of the Group in 2000. She is a key force behind the division's strategic agreements, investments and partnerships in the Greater China Region.

Ms. Chan has extensive experience in organizing technology exchange programmes and is well versed in the PRC technology information management. Prior to her current position, she was the Group's Senior Manager for content development. She is also a seasoned business executive with expertise in identifying new business opportunities. Before joining the Group, she worked in the Technology Market Management Office of the Minister of Science and Technology, the PRC where she established the technology market information management system for the Government.

Ms. Chan holds a Bachelor's Degree from Peking University and a Master's Degree from the Chinese Academy of Geological Sciences.

Mr. Chan Kai Chung John

Mr. Chan, aged 35, is the Chief Development Officer of the content division of the Group and is responsible for formulation of strategic directions together with overseeing global business development and marketing.

Mr. Chan brings over 10 years of marketing and business management experience to the Group. Prior to joining the Group in 2000, he held senior regional management positions in a number of multi-national corporations, including Philips, Thomson Corporation and Honeywell, where he gained rich experience in strategic planning and implementation in business development, marketing and sales management.

Mr. Chan holds a Bachelor's Degree in Commerce from University of Alberta and is a member of the Chartered Institute of Marketing and the Hong Kong Institute of Marketing.

Mr. Wong Lok Chau

Mr. Wong, aged 38, is the Director of Technology of the Group. In his role, he leads a team of staff to manage the Group's IT infrastructure, Intranet application development as well as systems integration.

Mr. Wong has more than 15 years of experience in the computing industry. Prior to joining the Group in 1999, he was the director of a local software company where he was responsible for all facets of the business including architecture development and project management. He was a senior systems analyst in Standard Chartered Bank and was responsible for the implementation of the electronic banking system.

Mr. Wong graduated from Hong Kong Polytechnic University where he majored in Computer Studies.

Mr. Yip Chun Yu

Mr. Yip, aged 36, is the Chief Operating Officer of the Group's strategic investment division. He is responsible for formulating investment strategies and overall operations for the division.

Prior to this appointment, Mr. Yip was Senior Manager of corporate development for the Group responsible for identifying potential business opportunities and joint venture partners. Before joining the Group in 1998, he was also a journalist at one of the major financial publications in Hong Kong for more than 5 years.

Mr. Yip holds a Bachelor of Science Degree from the Chinese University of Hong Kong and a Master's Degree in Law from Peking University.

Mr. Vincent Tung

Mr. Tung, aged 29, is the Qualified Accountant and Company Secretary of the Company. He is responsible for managing the Group's finance and accounting processes, performing statutory and managerial financial reporting. Prior to joining the Group in 2000, Mr. Tung has over 7 years of experience in auditing, accounting and regulatory fields including 5 years in an international accounting firm responsible for blue chip clients. He is an associate member of the Hong Kong Society of Accountant.

Mr. Tung graduated from the City University of Hong Kong where he earned a Bachelor of Arts Degree in Accountancy.

Report of the Directors

(Amounts expressed in Hong Kong dollars)

The Directors have the pleasure of presenting the annual report together with the audited financial statements of Asian Information Resources (Holdings) Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) for the year ended 31st December, 2000.

GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 4th October, 1999 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme of the Group in preparation for the listing of the Company’s shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the Growth Enterprise Market”), the Company became the holding company of the Group on 1st December, 1999. The Company’s shares were listed on the Growth Enterprise Market on 16th December 1999.

Details of the group reorganisation scheme and the basis of presentation of the financial statements are set out in Note 27 to the accompanying financial statements.

PRINCIPAL ACTIVITIES

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

Analysis of the Group’s turnover and loss from operations for the year ended 31st December, 2000 by principal activities are as follows:

	Turnover	Loss from operations
	<i>\$'000</i>	<i>\$'000</i>
Analysis by principal activities —		
Content solution	3,499	(23,679)
IT enabling technology		
— Internet solution service fees	5,640	(129)
— Consultancy project fees	546	64
— Sales of accessories	609	(796)
	<hr/> 6,795	<hr/> (861)
Strategy investment		
— Consultancy project fees	1,200	(11,433)
Unallocated corporate expenses	—	(10,923)
	<hr/> 11,494	<hr/> (46,896)

PRINCIPAL ACTIVITIES *(Cont'd)*

No geographical analysis of the Group's turnover and loss from operations is presented as less than 10% of the consolidated turnover and less than 10% of the consolidated net loss of the Group is attributable to markets outside Hong Kong.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, the five largest customers accounted for 62% of the Group's total turnover and the five largest suppliers of the Group accounted for 72% of the Group's total purchases. The largest customer to the Group accounted for 34% of the Group's total turnover while the largest supplier accounted for 29% of the Group's total purchases.

As at 31st December, 2000, none of the directors, their associates, or any shareholders (which, to the knowledge of the directors, owned more than 5% of the Company's share capital) had a beneficial interest in the abovementioned major customers and suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December, 2000 are set out in the consolidated income statement on page 53 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the accumulated loss of \$47,032,000 as at 31st December, 2000 be carried forward.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 22 to the accompanying financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2000, the Company's reserve available for distribution to shareholders amounted to approximately \$54,557,000 computed in accordance with the Companies Law (as amended) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium, capital redemption reserve and contributed surplus of approximately \$86,907,000, \$800,000 and \$13,882,000, respectively, less accumulated loss of approximately \$47,032,000, which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital and details of the share option scheme of the Company are set out in Notes 20 and 21, to the accompanying financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Other than the repurchase of the Company's own listed securities as set out in Note 20 to the accompanying financial statements, the Company did not redeem any of its listed securities during the year ended 31st December, 2000. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31st December, 2000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws in the Cayman Islands.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 13 and 14 to the accompanying financial statements respectively.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 12 to the accompanying financial statements.

BANK LOANS

Particulars of bank loans as at 31st December, 2000 are set out in Note 26 to the accompanying financial statements.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive directors

Mr. Leung Chung Wan (*Chairman*)

Mr. Chan Chi Ming

Ms. Tam Yee Wa Jojo

Non-executive directors

Mr. Chau Tak Tin

Ms. Yvette Ong

Mr. Kwan Pun Fong Vincent

Independent non-executive directors

Mr. To Hin Tsun Gerald

Mr. Peter Francis Amour

Mr. Law Shiu Kai Andrew

All non-executive directors and independent non-executive directors have been appointed for a term of one year.

In accordance with the articles of association of the Company, Ms. Tam Yee Wa Jojo and Mr. Chau Tak Tin will retire from office and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

DIRECTORS' SERVICE CONTRACT

None of the directors who are proposed for re-election at the forth coming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31st December, 2000, the following directors of the Company had or were deemed to have interests 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 or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("the GEM Listing Rules") to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

Ordinary shares with par value of \$0.1 each.

Name	Number of ordinary shares held		
	Personal interest	Corporate interest*	Total
Mr. Leung Chung Wan	960,000	264,934,000 (Note 1)	265,894,000
Mr. Chan Chi Ming	1,440,000	264,934,000 (Note 1)	266,374,000
Ms. Tam Yee Wa Jojo	—	264,934,000 (Note 1)	264,934,000
Mr. Chau Tak Tin	—	264,934,000 (Note 1)	264,934,000
Mr. Kwan Pun Fong Vincent	—	15,700,000 (Note 2)	15,700,000

* Shares held in corporate interest represent those shares beneficially owned by a company in which the relevant director was deemed to be entitled under the SDI Ordinance to exercise or control the exercise of one third or more of the voting power at its general meeting.

Notes:

1. Asian Dynamics International Limited ("Asian Dynamics") holds 264,934,000 shares of the Company. Asian Dynamics is beneficially owned, inter alia, as to 21.87% 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.
2. Hinful Capital Limited ("Hinful Capital") holds 15,700,000 shares of the Company. Hinful Capital is beneficially owned as to 24.625% by Mr. Kwan Pun Fong Vincent.

Save as disclosed above, as at 31st December, 2000, neither the directors nor their associates had any interests in any equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme adopted by the Company on 2nd December, 1999, a duly authorized committee of the board of directors may, at its discretion, invite any full-time employee (including executive directors) of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

On 25th January, 2000, the Company granted 320,000, 640,000 and 320,000 share options with an exercise price of HK\$0.89 per share in favour of Mr. Leung Chung Wan, Mr. Chan Chi Ming and Ms. Tam Yee Wa Jojo respectively. On 15th June, 2000, the Company granted 1,000,000, 3,500,000 and 1,500,000 share options with an exercise price of HK\$0.47 per share in favour of Mr. Leung Chung Wan, Mr. Chan Chi Ming and Ms. Tam Yee Wa Jojo respectively. During the year, no share options were exercised.

As at 31st December, 2000, the outstanding share options granted in favour of the directors were as follows:

Name	Number of share options	Exercisable period		Exercise prices
		From	To	
Mr. Leung Chung Wan	320,000	25th January, 2000	24th January, 2003	HK\$0.89
	1,000,000	15th June, 2000	14th June, 2003	HK\$0.47
Mr. Chan Chi Ming	640,000	25th January, 2000	24th January, 2003	HK\$0.89
	3,500,000	15th June, 2000	14th June, 2003	HK\$0.47
Ms. Tam Yee Wa Jojo	320,000	25th January, 2000	24th January, 2003	HK\$0.89
	1,500,000	15th June, 2000	14th June, 2003	HK\$0.47

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management, their respective spouse, or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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.

Name	Number of ordinary shares	Percentage of shareholding
Asian Dynamics International Limited	264,934,000	55.63%
Aldgate Agents Limited (Note 1)	66,120,000	13.88%
New World CyberBase Limited (Note 1)	66,120,000	13.88%

Note:

1. 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.

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 December, 2000.

SPONSOR'S INTEREST

The Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), and its associates (as referred to Note 3 to Rule 6.35 of the GEM Listing Rules) were interested in 4,800,000 and 77,300,000 shares of the Company as at 31st December, 2000 respectively.

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

Pursuant to Rule 11.04 of the GEM Listing Rules, 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 are set out below:

Director	Entity that competes or may compete with business of the Group	Position of the Director in the Entity	Competing Business of the Entity
Ms. Yvette Ong	New World CyberBase Limited	Managing director	Provision of e-commerce solutions in Greater China market and investment in companies which operate, inter-alia, as e-commerce internet content provider, internet service provider
Mr. Kwan Pun Fong Vincent	ChinaHowFun.com Corporation Limited Finet Holdings Limited	Director Director	Internet content provider Internet content provider
Mr. To Hin Tsun Gerald	New World CyberBase Limited	Independent non-executive director	Provision of e-commerce solutions in Greater China market and investment in companies which operate, inter-alia, as e-commerce internet content provider, internet service provider.
Mr. Chan Chi Ming	VTech eLearning Holdings Limited	Independent non-executive director	Provision of IT training courses and online education services

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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDIT COMMITTEE

In compliance with Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee comprising three independent non-executive directors and has adopted the terms of reference governing the authority and duties of the audit committee. The present members of the audit committee are Mr. To Hin Tsun Gerald, Mr. Peter Francis Amour and Mr. Law Shiu Kai Andrew.

USE OF PROCEEDS

The proceeds from the issue of new shares pursuant to an initial public offering exercise of the Company in December 1999, after deduction of related expenses, amounted to approximately \$135,000,000. Included in the above net proceeds of \$135,000,000, approximately \$36,000,000 was planned to provide additional working capital of the Group. The remaining net proceeds of approximately \$99,000,000 was planned and applied as follows:

	Original planned* \$'000	Amount utilised up to 31st December, 2000 \$'000
Promotion and marketing activities of the Group in Hong Kong, Taiwan and other regions	40,000	7,211
Development in e-commerce operation	24,000	19,488
Development in content and new products	18,000	15,089
Development of additional human resources for future business development and setting up representative offices in target regions	17,000	16,815
	<u>99,000</u>	<u>58,603</u>

* Amounts are extracted from the Company's prospectus dated 7th December, 1999 issued in relation to the Company's initial public offering exercise and proposed listing of shares on the Growth Enterprise Market.

CONNECTED TRANSACTIONS

The related party transactions, disclosed in Note 3 to the accompanying financial statements, constituted connected transactions under Chapter 20 of the GEM Listing Rules were as follows:

- a. During the year, the Group received Internet solution service fee of approximately \$9,000 from Alliance of Hong Kong Youth Groups. Mr. Leung Chung Wan, a director of the Company, is the president of Alliance of Hong Kong Youth Groups. As the service fee was negotiated on normal commercial terms, the transaction constituted a *de minimis* transaction under Rule 20.23(2) of the GEM Listing Rules. As a result, this transaction is exempt from the reporting, announcement and shareholders' approval requirements.
- b. On 19th April, 2000, the Group sold its entire interest in an associate, China VC Net Limited, to China Investment Council Limited for a consideration of HK\$400,000. Mr. Leung Chung Wan and Mr. Chau Tak Tin, directors of the Company, are also directors of and have beneficial interests in China Investment Council Limited. As the transaction was based on normal commercial terms and the consideration was less than the higher of \$1,000,000 or 0.03% of the net tangible assets of the Company, it constituted a *de minimis* transaction under Rule 20.23(2) of the GEM Listing Rules. As a result, the transaction is exempt from the reporting, announcement and shareholders' approval requirements.

AUDITORS

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co. A resolution for the re-appointment of Messrs. Arthur Andersen & Co as the auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors,

LEUNG CHUNG WAN

Chairman

Hong Kong,
22nd March, 2001.

Auditors' Report



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

**Auditors' Report to the Shareholders of
ASIAN INFORMATION RESOURCES (HOLDINGS) LIMITED**
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 53 to 86 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st December, 2000 and of the loss and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong,
22nd March, 2001.

Consolidated Income Statement

For the year ended 31st December, 2000

(Expressed in Hong Kong dollars)

	<i>Note</i>	2000 \$'000	1999 \$'000
Turnover	4	11,494	7,473
Cost of services and merchandise sold		(3,271)	(2,734)
Content and project development costs		(9,406)	—
Selling expenses		(7,211)	(333)
General and administrative expenses		(35,175)	(7,958)
Other operating expenses		(3,327)	(67)
Loss from operations		(46,896)	(3,619)
Interest income	4	6,947	3,130
Interest expense		(270)	—
Gain on disposal of an associate	4	245	—
Share of loss of associates		(816)	(14)
Elimination of goodwill from acquisitions of			
— a subsidiary		(2,138)	—
— associates		(5,830)	—
Loss on a fire accident	7	(2,456)	—
Loss on reorganisation		—	(861)
Loss before taxation	5	(51,214)	(1,364)
Taxation	8	(86)	(28)
Loss after taxation but before minority interests		(51,300)	(1,392)
Minority interests		2,639	(4)
Net loss	9	(48,661)	(1,396)
Accumulated loss, beginning of year		(9,709)	(8,313)
Repurchase of shares by the Company	20	(800)	—
Accumulated loss, end of year	10	(59,170)	(9,709)
Loss per share			
— Basic	11	(10.17 cents)	(0.50 cents)

A separate statement of recognised gains and losses is not presented because there were no recognised gains and losses other than the net loss.

Balance Sheet

As at 31st December, 2000 (Expressed in Hong Kong dollars)

	Note	Consolidated		Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
ASSETS					
Non-current assets					
Fixed assets	12	7,189	1,483	—	—
Intangible assets		—	40	—	—
Investment in subsidiaries	13	—	—	102,286	150,146
Investment in associates	14	3,392	489	—	—
Long-term investment	15	1,782	500	—	—
Loans receivable, non-current portion	16	13,604	—	—	—
		25,967	2,512	102,286	150,146
Current assets					
Accounts receivable		1,033	1,189	—	—
Loans receivable, current portion	16	1,818	—	—	—
Inventories	17	699	—	—	—
Prepayments, deposits and other current assets		3,531	3,275	151	2,064
Due from related companies	3	—	30	—	—
Pledged bank deposits	18	15,450	—	—	—
Cash and bank balances		73,595	147,206	2	—
		96,126	151,700	153	2,064
Total assets		122,093	154,212	102,439	152,210
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	47,624	48,000	47,624	48,000
Reserves	22	113,727	113,726	101,589	101,588
(Accumulated loss) Retained profit		(59,170)	(9,709)	(47,032)	2,496
		102,181	152,017	102,181	152,084
Minority interests					
		494	4	—	—
Non-current liability					
Finance lease obligations, non-current portion	19	84	—	—	—
Current liabilities					
Short-term bank loan	26	10,660	—	—	—
Accounts payable		463	615	—	92
Accruals and other payables	19	6,584	1,115	258	34
Receipt in advance		1,392	433	—	—
Due to a related company	3	182	—	—	—
Taxation payable		53	28	—	—
		19,334	2,191	258	126
Total liabilities		19,418	2,191	258	126
Total equity and liabilities		122,093	154,212	102,439	152,210

Approved by the Board of Directors on 22nd March, 2001:

LEUNG CHUNG WAN
Chairman

CHAN CHI MING
Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2000 (Expressed in Hong Kong dollars)

	Note	2000 \$'000	1999 \$'000
Net cash outflow from operating activities	23.a	(43,974)	(6,317)
Returns on investments and servicing of finance			
Interest received		6,947	3,130
Interest paid		(270)	—
		6,677	3,130
Taxation — Overseas tax paid		(61)	—
Investing activities			
Additions of fixed assets		(7,763)	(1,539)
Increase in investment in associates		(6,080)	(400)
Decrease (Increase) in due from associates		103	(103)
Proceeds from disposal of an associate		400	—
Cash outflow for acquisition of a subsidiary	23.b	(600)	—
Net cash inflow (outflow) from acquisition of additional interests in a subsidiary	23.c	201	(510)
Increase in long-term investment		(1,282)	(500)
Increase in loans receivable		(15,422)	—
Decrease (Increase) in due from related companies		30	(30)
Increase in pledged bank deposits		(15,450)	—
		(45,863)	(3,082)
Net cash outflow before financing activities		(83,221)	(6,269)
Financing activities	23.d		
Issue of ordinary shares by the Company		—	150,000
Issue of ordinary shares by a subsidiary		—	17,000
Repurchase of shares		(3,040)	—
Share issuance expenditures, net of over-accrual in prior year		255	(14,494)
Share issuance expenditures of a subsidiary		—	(540)
Increase in minority interests		1,553	—
Increase in shareholders' loan		—	1,200
Increase in due to a related company		182	—
Short-term bank loan		10,660	—
		9,610	153,166
(Decrease) Increase in cash and bank balances		(73,611)	146,897
Cash and bank balances, beginning of year		147,206	309
Cash and bank balances, end of year		73,595	147,206

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Asian Information Resources (Holdings) Limited (“the Company”) was incorporated in the Cayman Islands on 4th October, 1999 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company’s shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the Growth Enterprise Market”) since 16th December, 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, information technology solutions and consultancy services, and strategic investment holdings.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practices issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market (“the GEM Listing Rules”). Principal accounting policies are summarised below:

a. Basis of measurement

The financial statements have been prepared on the historical cost basis.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (together “the Group”). Significant intra-group transactions and balances have been eliminated on consolidation.

c. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment. In the Company’s financial statements, investment in subsidiaries is stated at cost less provision for impairment in value where considered necessary by the directors, while income from subsidiaries is recorded to the extent of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

d. Goodwill

Goodwill represents the difference between the fair value of the consideration given and the Group's share of the aggregate fair values of the identifiable net assets acquired. Positive goodwill arises where the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired and is eliminated immediately against reserves if available, or against income statement if no reserves are available. Negative goodwill arises where the Group's share of the aggregate fair values of the identifiable net assets acquired exceeds the consideration given and is credited to reserves.

e. Contractual joint ventures

A contractual joint venture is an entity established between the Group and one or more other parties, with the rights and obligations of the joint venture partners governed by a contract. Where the Group is able to govern and control the financial and operating policies of the economic activity of the contractual joint venture, such venture is considered as a de facto subsidiary, and is accounted for as a subsidiary of the Group.

f. Equity joint ventures

An equity joint venture is a joint venture in which the partners' capital contribution and profit sharing ratios are defined in the joint venture agreement. The Group's investments in equity joint ventures are accounted for as subsidiaries if the Group owns more than 50% interests therein and governs and controls the financial and operating policies and the board of directors of the joint ventures.

g. Associates

An associate is a company, not being a subsidiary, in which the Group holds 20% or more of its issued voting share capital as a long-term investment and can exercise significant influence over its financial and operating policy decisions. In the consolidated financial statements, investment in associates is stated at the Group's share of the fair value of the separable net assets of the associates at the time of acquisition, plus the Group's share of undistributed post acquisition profits/losses and reserves of the associates, distributions received from the associates and other necessary alterations in the Group's proportionate interest in the associates arising from changes in the equity of the associates that have not been included in the income statement. In the Company's financial statements, investment in associates is stated at cost less provision for impairment in value, while income from associates is recorded to the extent of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

h. Investments

Investments, intended to be held on a continuing basis, are stated at cost less provision for impairment in value where considered necessary by the directors. Income from long-term investments is accounted for to the extent of dividend received or receivable.

The carrying amounts of the investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary. Provisions against the carrying value of the investments are reversed to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal or transfer of the investments, any profit and loss thereon is accounted for in the income statement.

i. Turnover and revenue recognition

Turnover comprises (i) service income on on-line content information provision as well as related technical services, and internet solutions and consultancy service provision, and (ii) the net invoiced value of merchandise sold after allowances for returns and discounts.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Service income on content information provision is recognised on a time proportion basis for the fixed license fee portion and as entitlement accrues on usage for the variable license fee portion. Service income for technical services, and internet solutions and consultancy service provision is recognised in accordance with the terms of the underlying contracts and when the underlying services are rendered. Sales revenue is recognised when the merchandise is delivered and title has passed. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rate applicable.

Advance payments received from customers prior to rendering of the related content solution services and internet solution services or completion of the consultancy services are recorded as receipt in advance.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

j. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

k. Advertising and promotion costs

Costs for advertising and promotion are charged to the income statement in the period in which they are incurred.

l. Content and project development costs

All costs incurred in the development of content database and other consultancy projects and in the provision of internet solutions are charged to the income statement as incurred.

m. Employee retirement benefits

Costs of employee retirement benefits are charged to the income statement in the relevant period in which they are incurred.

n. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

o. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Leasehold improvements	33% (over the lease term)
Furniture and fixtures	20%
Computer and equipment	33%
Motor vehicle	33%

Gains or losses on disposals of fixed assets are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

Management assesses the recoverability of the carrying amounts of fixed assets periodically. When the recoverable amounts of fixed assets have declined below the carrying amounts, the carrying amounts are reduced to the recoverable amounts with the difference charged to the income statement. In determining the recoverable amount of fixed assets, expected future cash flows have not been discounted to their present values.

Fixed assets held under finance lease are recorded and depreciated on the same basis as described above.

p. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

q. Leases

Finance leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets are transferred to the Group. Fixed assets held under finance leases are initially recorded at the present value of the minimum payments at the inception of the leases, with equivalent liabilities categorised as appropriate under current or non-current liabilities. Interest expense, which represents the difference between the minimum payments at the inception of the finance leases and the corresponding fair value of the assets acquired, is allocated to accounting periods over the period of the relevant leases to produce a constant rate of charge on the outstanding balances.

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

r. Foreign currency translation

Companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). Transactions in other currencies during the year are translated into their respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into their respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statement of the individual companies.

The Group prepared the consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items are translated into Hong Kong dollars at the average applicable rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments.

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

a. Particulars of significant transactions between the Group and related parties were as follows:

	2000 \$'000	1999 \$'000
Internet solution service fees received from Verticalsquare.com Holdings Inc., an associate (Note 23.e.(i))	2,720	66
Consultancy project fees received from Verticalsquare.com Holdings Inc., an associate (Note 23.e.(i))	1,200	—
Internet solution service fees received from — Alliance of Hong Kong Youth Groups (i) — Dongguan Techinfo Information Network Engineering Limited	9 —	61 17
Interest income on advance to I-Textile On-Line Company Limited, an associate	14	—
Proceeds from disposal of China VC Net Limited, an associate, to China Investment Council Limited (ii)	400	—
Internet solution services fees received from China VC Net Limited, an associate	63	—
Acquisition of 18% interest in 廣州凌壹網絡有限公司 from Mr. Chan Chi Ming and Ms. Tam Yee Wa Jojo	—	500

Notes:

- (i) Mr. Leung Chung Wan, a director of the Company, is the president of Alliance of Hong Kong Youth Groups.
- (ii) Mr. Leung Chung Wan and Mr. Chau Tak Tin, directors of the Company, are also directors of and have beneficial interests in China Investment Council Limited.

3. RELATED PARTY TRANSACTIONS (Cont'd)

b. Particulars of balance with related companies were as follows:

	2000 \$'000	1999 \$'000	Maximum balance outstanding during the year \$'000
Due from related companies:—			
China Investment Council Limited (formerly known as China Cultural Resources Limited)	—	18	18
Gateway Technology Services Limited (i)	—	12	12
	—	30	
Due to a related company:—			
China Collections Limited (ii)	182	—	

All balances with related companies were unsecured, non-interest bearing and without pre-determined repayment terms.

Notes:

- (i) Gateway Technology Services Limited is a subsidiary of Asian Dynamics International Limited, the ultimate holding company.
- (ii) Mr. Leung Chung Wan and Mr. Chau Tak Tin, directors of the Company, are also directors of and have beneficial interests in China Collections Limited.

4. TURNOVER AND REVENUE

Analysis of turnover and revenue in the consolidated income statement was as follows:

	2000 \$'000	1999 \$'000
Content solution service		
— distribution fees	2,428	1,622
— project fees	1,071	2,056
Internet solution service fees (Note 3.a.)	5,640	2,189
Consultancy project fees (Note 3.a.)	1,746	1,461
Sales of accessories	609	145
Total turnover	11,494	7,473
Interest income	6,947	3,130
Gain on disposal of an associate (Note 3.a.)	245	—
Total revenue	18,686	10,603

For the year ended 31st December, 2000, the five largest customers accounted for 62% (1999 - 59%) of the Group's total turnover, while the largest customer accounted for 34% (1999 - 26%) of the Group's total turnover.

5. LOSS BEFORE TAXATION

Loss before taxation in the consolidated income statement was determined after charging or crediting the following:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
After charging —		
Advertising and promotion costs	4,952	333
Content and project development costs		
— development costs for contents	5,369	—
— costs for acquisition of websites	4,073	—
Operating lease rentals in respect of premises	3,053	735
Provision for doubtful accounts receivable	395	67
Provision for obsolete and slow-moving inventories	2,932	—
Depreciation of fixed assets		
— owned assets	1,427	533
— assets under finance leases	34	—
Share of loss of associates		
— share of loss from operations	8,531	14
— share of gain on dilution of interest in an associate	(7,715)	—
Amortisation of intangible assets	40	20
Loss on disposal of fixed assets	195	—
Interest expense on		
— short-term bank loan	247	—
— finance lease obligations	23	—
Staff costs (including directors' emoluments)	23,557	3,948
Auditors' remuneration	780	391
After crediting —		
Interest income on		
— subscription monies from share issuance	—	2,655
— bank deposits	6,911	475
— advance to an associate (Note 3.a.)	14	—
— advance to an investee (Note 15)	22	—
Net exchange gain	232	—

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of emoluments paid to the directors of the Company were:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Fees for executive directors	—	—
Fees for non-executive directors	495	78
Other emoluments for executive directors		
— basic salaries and allowances	2,883	1,057
— contribution to provident fund	123	8
	3,501	1,143

The number of directors whose remuneration fall within the following bands was as follows:

	2000	1999
Executive directors		
— Nil to \$1,000,000	2	2
— \$1,000,001 to \$1,500,000	1	—
Non-executive directors		
— Nil to \$1,000,000	6	7
	9	9

No director waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year ended 31st December, 2000.

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

- b. Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	2000 \$'000	1999 \$'000
Basic salaries and allowances	3,973	1,680
Contribution to provident fund	125	42
	4,098	1,722
	2000	1999
Number of directors	3	2
Number of employees	2	3
	5	5

Analysis of emoluments paid to the five highest paid individuals (including directors and employees) by number of individuals and emolument ranges was as follows:

	2000	1999
Nil to \$1,000,000	4	5
\$1,000,001 to \$1,500,000	1	—
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as inducement to join or upon joining the Group or as compensation for loss of office.

7. LOSS ON A FIRE ACCIDENT

In June 2000, a fire accident occurred in the Group's office premises, resulting in loss of fixed assets of approximately \$692,000. In addition, the Group recorded a provision for compensation to an employee amounting to approximately \$1,764,000.

8. TAXATION

Taxation in the consolidated income statement comprised:

	2000 \$'000	1999 \$'000
Hong Kong profits tax	—	—
Mainland China enterprise income tax	86	28
	86	28

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the year ended 31st December, 2000 (1999 - Nil). Mainland China enterprise income tax for the Guangzhou representative office of Cyber Strategy Limited and the Beijing representative office of Asian Information Resources Limited have been provided at the rate of 33% on deemed net profit for the year based on total expenditures incurred by the representative offices.

Guangzhou Air Network Company Limited is a new-and-high technology enterprise established in the New-and-High Technology Development Zone and is subject to Mainland China enterprise income tax at a rate of 15%. 廣州生活易信息服務有限公司, My Home Tech. Development Co., Ltd., 廣州精明眼信息服務有限公司 and Guangzhou Shilian Software Technological Co., Ltd. are subsidiaries established and operated in Mainland China, and are subject to Mainland China enterprise income tax at a rate of 33% (30% state tax and 3% local tax). All Mainland China subsidiaries were in a loss position during the year ended 31st December, 2000.

No profits tax was provided for the Company and its subsidiaries operating outside Hong Kong and 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 31st December, 2000. There was no material unprovided deferred taxation as at 31st December, 2000.

9. NET LOSS

The net loss in the consolidated income statement included a loss of approximately \$48,728,000 (1999 - profit of \$2,496,000) dealt with in the financial statements of the Company.

10. ACCUMULATED LOSS

Accumulated loss (consolidated) comprised:

	2000 \$'000	1999 \$'000
Company and subsidiaries	(58,392)	(9,695)
Associates	(778)	(14)
	(59,170)	(9,709)

11. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st December, 2000 was based on the net loss of approximately \$48,661,000 (1999 - \$1,396,000) and the weighted average of approximately 478,429,000 (1999 - 279,024,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31st December, 1999 and 2000 were not presented because there was no dilutive potential ordinary shares in existence during the years.

12. FIXED ASSETS

a. Movements of fixed assets (consolidated) were:

	2000				1999	
	Leasehold improvements \$'000	Furniture and fixtures \$'000	Computer and equipment \$'000	Motor Vehicle \$'000	Total \$'000	Total \$'000
Cost						
Beginning of year	521	763	1,786	—	3,070	1,531
Attributable to acquisition of a subsidiary (Note 23.b.)	—	—	291	—	291	—
Additions	2,575	1,651	3,156	381	7,763	1,539
Disposals	(193)	(127)	(1,723)	—	(2,043)	—
End of year	2,903	2,287	3,510	381	9,081	3,070
Accumulated depreciation						
Beginning of year	148	238	1,201	—	1,587	1,054
Provision for the year	300	333	754	74	1,461	533
Disposals	(6)	(3)	(1,147)	—	(1,156)	—
End of year	442	568	808	74	1,892	1,587
Net book value						
End of year	2,461	1,719	2,702	307	7,189	1,483
Beginning of year	373	525	585	—	1,483	477

12. FIXED ASSETS (Cont'd)

b. Fixed assets held under finance leases:

Certain computer and equipment included in Note 12.a. above were held under finance leases. Details of these assets were as follows:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Cost	113	—
Less: Accumulated depreciation	(34)	—
Net book value	79	—
Depreciation for the year	34	—

13. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries comprised:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Unlisted shares, at cost	14,082	14,082
Due from subsidiaries	131,659	136,064
Less: Provision for impairment in value	(43,455)	—
	102,286	150,146

Balances with subsidiaries were unsecured, non-interest bearing and not due for repayment on or before 1st January, 2002.

The Directors are of the opinion that the underlying value of the subsidiaries is not less than the carrying value as at 31st December, 2000.

13. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries as at 31st December, 2000 were:

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Air Communications (HK) Limited (formerly known as Aion Company Limited)	Hong Kong	\$ 1,000,000	70%	Inactive
Air Communications (Asia) Limited (formerly known as Air Communications Limited)	Hong Kong	\$ 10,000	100%	Wireless content distribution
Asian Information Investment Consulting Limited	Hong Kong	\$ 500,000	60%	Inactive
Asian Information Resources (BVI) Limited (a)	British Virgin Islands	US\$ 200	100%	Investment holding
Asian Information Resources International Limited	British Virgin Islands	US\$ 1	100%	Holdings of trademarks
Asian Information Resources Limited	Hong Kong	\$ 11,228,290	100%	Provision of on-line content information and related technical services, information technology solutions and consultancy services, and e-commerce investment
Biztech Company Limited	Hong Kong	\$ 100,000	100%	Internet solution service
BuyCollection.com Limited (formerly known as Oriental Cultural Resources Limited) (b)	Hong Kong	\$ 750,000	60%	Operation of an e-commerce platform for Chinese collectibles

13. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Chinareference.com Limited	Hong Kong	\$ 10,000	100%	Inactive
Cyber Fair Technology Limited	Hong Kong	\$ 10,000	100%	Inactive
Cyber Quest Limited	Hong Kong	\$ 100	63%	Internet solution service
Cyber Strategy Limited	Hong Kong	\$ 75,000	100%	Strategic investment holding
e-daily Limited	British Virgin Islands	US\$ 5,000	100%	Provision of on-line content information
Guangzhou Air Network Company Limited (c)	Mainland China	RMB 500,000	80%	Provision of information and data processing services
Guangzhou Shilian Software Technological Co., Ltd. (d)	Mainland China	\$ 1,000,000	100%	Information technology solution services
Lecture Kit Company Limited	Hong Kong	\$ 5,000	100%	On-line education content service
Myhome Network Limited (formerly known as United Network Technology Limited)	Hong Kong	\$ 900,000	77.78%	Investment holding
Net Convergence Limited	Hong Kong	\$ 5,000	100%	Information technology solution service
Orienthomes.com Limited	Hong Kong	\$ 2,900,000	60%	On-line retailing
Sinotrade Technologies Limited	Hong Kong	\$ 5,000	100%	Investment holding
My Home Tech. Development Co., Ltd. (e)	Mainland China	RMB 5,504,575	81.8%	Provision of on-line content information
廣州生活易信息服務有限公司 (f)	Mainland China	\$ 225,000	100%	Wireless content distribution
廣州精明眼信息服務有限公司 (g)	Mainland China	\$ 2,000,000	100%	Information technology solution services

13. INVESTMENT IN SUBSIDIARIES (Cont'd)

Notes —

- a. Asian Information Resources (BVI) Limited is directly held by the Company, while all other subsidiaries are indirectly held.
- b. During the year, the Group acquired an additional 20% interest in BuyCollection.com Limited, a former associate. Thereafter, BuyCollection.com Limited became a subsidiary of the Group
- c. Guangzhou Air Network Company Limited (“GZAIR”) is an equity joint venture established in Mainland China for a term of 20 years up to February 2019. Upon establishment, the Group owned 63% of the joint venture. On 6th October, 1999, the Group acquired an additional 17% interest in the joint venture.
- d. Guangzhou Shilian Software Technological Co., Ltd. is a wholly-owned foreign enterprise established in Mainland China for a term of 20 years up to May 2020. Full capital contribution has been made by the Group as at 31st December, 2000.
- e. My Home Tech. Development Co., Ltd. is an equity joint venture established in Mainland China for a term of 20 years up to September 2020. According to the joint venture agreement, the Group and the joint venture partner have to make capital contribution of RMB9,000,000 and RMB1,000,000 respectively (equivalent to approximately \$8,490,000 and \$943,000 respectively) within 12 months starting from 1st September, 2000. As at 31st December, 2000, the Group has made cash contribution amounting to RMB4,504,575 (equivalent to approximately \$4,250,000) into the joint venture; while its joint venture partner had fully paid-up its capital through injection of a website.
- f. 廣州生活易信息服務有限公司 is a contractual joint venture established in Mainland China for a term of 15 years up to August 2015. According to the joint venture agreement, the Group has to make capital contribution of \$1,500,000 within 12 months starting from 28th August, 2000.

Under the joint venture agreement, the PRC joint venture partner is entitled to receive a pre-determined annual fee of RMB40,000 to this joint venture but is not entitled to share in the profit or bear any loss of the joint venture.

- g. 廣州精明眼信息服務有限公司 is a contractual joint venture established in Mainland China for a term of 15 years up to August 2015.

Under the joint venture agreement, the PRC joint venture partner is entitled to receive a pre-determined annual fee of RMB40,000 but is not entitled to share in the profit or bear any loss of the joint venture.

14. INVESTMENT IN ASSOCIATES

Investment in associates (consolidated) comprised:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Unlisted shares, at cost	10,000	400
Elimination of goodwill from acquisitions of associates	(5,830)	—
Share of loss of associates		
— share of loss from operations	(8,493)	(14)
— share of gain on dilution of interest in an associate*	7,715	—
	3,392	386
Due from associates	—	103
	3,392	489

* As at 31st December, 2000, the Group has a 29.77% interest in Verticalsquare.com Holdings Inc (“VSHL”), a company incorporated in the British Virgin Islands, which in turn has a 100% interest in I-textile.com Holdings Inc. (“I-textile”), another company incorporated in the British Virgin Islands.

During the year, I-Textile.com Korea Inc. (“I-textile Korea”), a previously 100% owned subsidiary of I-textile, issued certain new shares to certain independent third parties at cash consideration of approximately \$38,351,000. The effective interests held by I-textile on I-textile Korea decreased from 100% to 36.22%. At the same time, I-textile Korea made equity contributions of approximately \$21,060,000 to I-textile On-Line Company Limited (“I-textile HK”), a previously 100% owned subsidiary of I-textile, in return for an 22.58% equity interest. Accordingly, I-textile recorded a gain on dilution of interest in I-textile Korea and I-textile HK amounting to approximately \$25,916,000. The Group’s share of such dilution gain amounted to approximately \$7,715,000.

14. INVESTMENT IN ASSOCIATES (Cont'd)

The Directors are of the opinion that the underlying value of the associates is not less than the carrying value as at 31st December, 2000.

Details of the associates as at 31st December, 2000 were:

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Verticalsquare.com Holdings Inc.	British Virgin Islands	US\$ 8,396	29.77%	Investment holding
I-Textile.com Holdings Inc.	British Virgin Islands	US\$ 1	29.77%	Investment holding
I-Textile.com Taiwan Inc.	British Virgin Islands	US\$ 1	29.77%	Operation of an e-commerce platform for textile products
I-Textile.com (China) Holdings Inc.	British Virgin Islands	US\$ 1	29.77%	Inactive
I-Textile On-Line Company Limited	Hong Kong	\$ 1,291,573	25.48%	Operation of an e-commerce platform for textile products
Cyber Net Holdings, Inc.	British Virgin Islands	US\$ 100	29.77%	Investment holding
I-Textile.com Korea Inc. (b)	South Korea	Won434,500,000	10.78%	Operation of an e-commerce platform for textile products
Comfirm (China) Limited	Hong Kong	\$ 5,000	50%	Inactive

Notes —

- a. The shares of the above associates are held indirectly by the Company.
- b. I-textile Korea is an associate as the Group's interest in it is held through an associate which in turn holds more than 20% of the issued voting share capital of I-textile Korea.

15. LONG-TERM INVESTMENT

Long-term investment (consolidated) comprised:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Unlisted shares, at cost	1,000	500
Due from investee	782	—
	1,782	500

Long-term investment represented a 12.5% equity interest in Knowledge Base Holding Limited, a company incorporated in Hong Kong, for development of certain e-commerce operations.

The Directors are of the opinion that the underlying value of the long-term investment is not less than the carrying value as at 31st December, 2000.

16. LOANS RECEIVABLE

Details of loans receivable (consolidated) were:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Due within one year (a)	1,818	—
Due after one year (b)	13,604	—
	15,422	—

During the year, the Group entered into the following loan transactions:

- a. In May 2000, the Group granted a one-year term loan of approximately \$1,818,000 to an entity (“the ISP Entity”), which is an Internet Service Provider in Mainland China. The loan is unsecured and non-interest bearing. Subject to the relaxation of the foreign investment laws that prohibit non-Mainland China entities from directly investing in the telecommunication industry in Mainland China, the Group has the right to convert the loan into certain equity interest in the ISP Entity.

16. LOANS RECEIVABLE (Cont'd)

- b. In May 2000, the Group granted a loan of approximately \$2,944,000 ("Loan I") to a Mainland China employee ("the Employee") of the Group. In accordance with the loan agreement, the Employee applied the proceeds of Loan I to invest in a 52% equity interest in a Mainland China company ("the PRC Entity"), which in turn holds an equity interest in a cable television network in a northern city in Mainland China. The Employee has agreed to deal with his entire interest in the PRC Entity as the Group may direct, including transfer of all dividends and/or income in relation to his equity interest in the PRC Entity to the Group. Loan I bears interest at 7.1% per annum and is secured by the Employee's investment in the PRC Entity and a corporate guarantee given by the PRC Entity. Subject to the relaxation of the foreign investment laws of the telecommunication industry in Mainland China as mentioned in Note 16.a. above, the Group has the right to request the Employee to transfer to the Group his 52% equity interest in the PRC Entity as settlement of Loan I.

In August 2000, the Group granted two other loans to the Employee of approximately \$5,264,000 and \$5,396,000, respectively ("Loan II" and "Loan III", respectively). With the instruction made by the Group to the Employee, the Employee applied the proceeds of Loan II and Loan III as borrowings to the PRC Entity to finance the PRC Entity's investment in the same cable television network. Both loans bear interest at 7.1% per annum and are secured by corporate guarantees given by the PRC Entity and the PRC Entity's equity interest in the cable television network.

The loans described above are for one-year, with right of extension at the discretion of the Group. The Directors have indicated that the Group will likely extend the loan agreements when they fall due after one year. As a result, all loans have been classified as non-current assets in the consolidated balance sheet.

17. INVENTORIES

Inventories (consolidated) consisted of:

	2000 <i>\$'000</i>	1999 <i>\$'000</i>
Merchandise held for trading through operation of e-commerce platform	3,631	—
Less: Provision for obsolete and slow-moving inventories	(2,932)	—
	699	—

The amount of inventories (included above) carried at net realisable value was approximately \$699,000 (1999 - Nil) as at 31st December, 2000.

18. PLEDGED BANK DEPOSITS

As at 31st December, 2000, the Group's bank deposits of approximately \$15,450,000 (1999 - Nil) were pledged as collateral of the Group's banking facilities (Note 26).

19. FINANCE LEASE OBLIGATIONS

Finance lease obligations, net of future finance charges, comprised:

	2000 \$'000	1999 \$'000
Amounts repayable within a period		
— not exceeding one year	55	—
— more than one year but not exceeding two years	84	—
	139	—
Less: Amounts repayable within one year included under accruals and other payables	(55)	—
	84	—

20. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value \$'000
Authorised (ordinary shares of \$0.10 each)		
Upon incorporation of the Company	1,000	100
The Reorganisation referred to in Note 27	1,000	100
Increase in authorised ordinary share capital in preparation for the public offering of the Company's shares	1,998,000	199,800
As at 31st December, 1999 and 2000	2,000,000	200,000
Issued and fully paid (ordinary shares of \$0.10 each)		
Issue of shares	1,000	100
Issue of shares arising from the Reorganisation referred to in Note 27	1,000	100
Issue of shares through public offering	120,000	12,000
Capitalisation of share premium	358,000	35,800
As at 31st December, 1999	480,000	48,000
Repurchase of shares (a)	(8,000)	(800)
Issue of new shares (b)	4,237	424
As at 31st December, 2000	476,237	47,624

20. SHARE CAPITAL (Cont'd)

- a. During the year, the Company repurchased 8,000,000 ordinary shares at an aggregate price of approximately \$3,040,000 (before expenses). These shares were subsequently cancelled. The nominal value of the cancelled shares of approximately \$800,000 was credited to capital redemption reserve.

Date of repurchase	Number of ordinary shares repurchase <i>'000</i>	Price per share <i>\$</i>	Aggregate price paid <i>\$'000</i>
25th September, 2000	2,000	0.38	760
26th September, 2000	2,000	0.38	760
27th September, 2000	2,000	0.38	760
29th September, 2000	2,000	0.38	760
	8,000		3,040

- b. On 15th November, 2000, the Company issued 4,237,105 new ordinary shares to independent third parties for acquisition of certain interest in Cyber Quest Limited at \$0.38 per share (Note 23.b).

21. SHARE OPTIONS

The Company has a share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options. The subscription price will be determined by a duly authorised committee of the board of directors which includes all the independent non-executive directors from time to time of the Company. The subscription price will not be less than (a) the closing price of the shares quoted on the Growth Enterprise Market on the date of offer of the options or (b) the average of the closing prices of the shares quoted on the Growth Enterprise Market for the five trading days immediately preceding the date of offer of the options, whichever is the higher, provided that the subscription price will not be lower than the nominal value of the shares.

On 25th January, 2000, 3,092,000 share options were granted to certain executive directors and employees of the Group under the share option scheme. The options are exercisable at \$0.89 per share. The expiry dates range from 25th January, 2000 to 24th January, 2003. 324,000 of these options lapsed in connection with the cessation of employment of certain employees.

On 15th June, 2000, 11,554,000 share options were granted to certain executive directors and employees of the Group under the share option scheme. The options are exercisable at \$0.47 per share. The expiry dates range from 15th June, 2000 to 14th June, 2003. 774,000 of these options lapsed in connection with the cessation of employment of certain employees.

No share options were exercised during the year ended 31st December, 2000.

22. RESERVES

Movements of reserves were:

	Share redemption premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Contributed surplus \$'000	Total \$'000
Consolidated					
Balance as at 31st December, 1998	800	—	—	—	800
Premium on issue of shares	138,000	—	—	—	138,000
Share issuance expenditures	(14,494)	—	—	—	(14,494)
Capitalisation of share premium	(35,800)	—	—	—	(35,800)
Capital reserve from the Reorganisation (Note 27)	—	—	25,220	—	25,220
Share premium of a subsidiary transferred to capital reserve upon the Reorganisation (Note 27)	(800)	—	800	—	—
Balance as at 31st December, 1999	87,706	—	26,020	—	113,726
Share issuance expenditures, net of over accrual in prior year	255	—	—	—	255
Issuance of shares for acquisition of a subsidiary (Note 20.b)	1,186	—	—	—	1,186
Repurchase of shares (Note 20.a)	(2,240)	800	—	—	(1,440)
Balance as at 31st December, 2000	86,907	800	26,020	—	113,727
Company					
Balance as at 31st December, 1998	—	—	—	—	—
Premium on issue of shares	138,000	—	—	—	138,000
Share issuance expenditures	(14,494)	—	—	—	(14,494)
Capitalisation of share premium	(35,800)	—	—	—	(35,800)
Contributed surplus from the Reorganisation (Note 27)	—	—	—	13,882	13,882
Balance as at 31st December, 1999	87,706	—	—	13,882	101,588
Share issuance expenditures, net of over-accrual in prior year	255	—	—	—	255
Issuance of shares for acquisition of a subsidiary (Note 20.b)	1,186	—	—	—	1,186
Repurchase of shares (Note 20.a)	(2,240)	800	—	—	(1,440)
Balance as at 31st December, 2000	86,907	800	—	13,882	101,589

Under the Companies Law (as amended) of the Cayman Islands, share premium, capital redemption reserve and contributed surplus are distributable to shareholders, subject to condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

22. RESERVES (Cont'd)

As at 31st December, 2000, the Company's reserve available for distribution to shareholders amounted to approximately \$54,557,000 (1999 - \$104,084,000) computed in accordance with the Companies Law (as amended) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium, capital redemption reserve and contributed surplus of approximately \$86,907,000 (1999 - \$87,706,000), \$800,000 (1999 - Nil) and \$13,882,000 (1999 - \$13,882,000), respectively, less accumulated deficit of approximately \$47,032,000 (1999 - retained profit of \$2,496,000) which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- a. Reconciliation of loss from operations to net cash outflow from operating activities:

	2000 \$'000	1999 \$'000
Loss from operations	(46,896)	(3,619)
Internet solution and consultancy service fees from an associate	(3,920)	—
Depreciation of fixed assets	1,461	533
Amortisation of intangible assets	40	20
Costs for acquisition of websites	2,658	—
Loss on disposals of fixed assets	195	—
Decrease (Increase) in accounts receivable	254	(406)
Increase in inventories	(699)	—
Decrease (Increase) in prepayments, deposits and other current assets	113	(2,931)
(Decrease) Increase in accounts payable	(152)	425
Increase (Decrease) in accruals and other payables	2,013	(170)
Increase (Decrease) in receipt in advance	959	(169)
Net cash outflow from operating activities	(43,974)	(6,317)

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

- b. During the year, the Group acquired 63% interest in Cyber Quest Limited from independent third parties. Details of the assets acquired and liabilities assumed were as follows:

	2000 <i>\$'000</i>
Fixed assets	291
Accounts receivable	98
Prepayment, deposits and other current assets	64
Accruals and other payables	(199)
Finance lease obligations	(139)
	<hr/> 115
Share of net asset value by minority interest	(43)
	<hr/> 72
Goodwill on acquisition, charged to consolidated income statement	2,138
Consideration paid	<hr/> 2,210
Satisfied by:	
Cash	600
Issuance of ordinary shares (Note 20.b.)	1,610
	<hr/> 2,210

- c. Details of the net assets acquired as a result of the acquisition of additional interest in a subsidiary (Note 13.b.) were as follows:

	2000 <i>\$'000</i>
Prepayments, deposits and other current assets	305
Cash and bank balances	201
Accruals and other payables	(23)
	<hr/> 483
Share of net asset value by minority interest	(290)
	<hr/> 193

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

d. Analysis of changes in financing was as follows:

	Share capital and share premium	Capital reserve	Short-term bank loan	Minority interests	Total
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 31st December, 1998	4,457	—	—	—	4,457
Issue of ordinary shares in the public offering	150,000	—	—	—	150,000
Share issuance expenditures	(14,494)	—	—	—	(14,494)
Share exchange upon the Reorganisation	200	(200)	—	—	—
Share capital and share premium of a subsidiary transferred to capital reserve upon the Reorganisation	(4,457)	4,457	—	—	—
Issue of ordinary shares by a subsidiary	—	17,000	—	—	17,000
Share issuance expenditures of a subsidiary	—	(540)	—	—	(540)
Capitalisation of shareholders' loans	—	5,303	—	—	5,303
Share of profit for the year	—	—	—	4	4
Balance as at 31st December, 1999	135,706	26,020	—	4	161,730
Share issuance expenditures, net of over-accrual in prior year	255	—	—	—	255
Issue of ordinary shares for acquisition of a subsidiary	1,610	—	—	—	1,610
Attributable to acquisition of interests in a subsidiary (Note 23.b. & c.)	—	—	—	333	333
Repurchase of shares	(3,040)	—	—	—	(3,040)
New short-term bank loan	—	—	10,660	—	10,660
Cash injected by minority shareholders	—	—	—	1,553	1,553
Website injected by a minority shareholder	—	—	—	1,243	1,243
Share of loss for the year	—	—	—	(2,639)	(2,639)
Balance as at 31st December, 2000	134,531	26,020	10,660	494	171,705

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

- e. The Group entered into the following major non-cash transactions during the year:
- (i) the Group provided internet solution and consultancy services of approximately \$3,920,000 to an associate in return for certain equity interests in that associate (Note 3.a.).
 - (ii) the Group recorded provision for compensation to an employee for approximately \$1,764,000, which is yet to pay as at 31st December, 2000 (Note 7).
 - (iii) The Group acquired and expensed off two websites at consideration of approximately \$943,000 and \$300,000, which were settled by certain equity interest in My Home Tech. Development Co., Ltd. and Air Communications (HK) Limited, respectively, both being subsidiaries of the Company. In addition, approximately \$1,415,000 of the costs for acquisition of a website is yet to be paid as at 31st December, 2000.
 - (iv) The Company issued 4,237,105 new ordinary shares to independent third parties for acquisition of certain interest in Cyber Quest Limited at \$0.38 per share.

24. COMMITMENTS

a. Operating lease commitments

As at 31st December, 2000, the Group had total operating lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to July 2003. The total amount of commitments payable under these agreements as at 31st December, 2000 were analysed as follows:

	Consolidated		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Amounts payable				
– within one year	4,711	992	—	—
– within two to five years	3,513	478	—	—
	8,224	1,470	—	—

The commitments payable within the next twelve months were analysed as follows:

	Consolidated		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Leases expiring				
– within one year	1,602	417	—	—
– within two to five years	3,109	575	—	—
	4,711	992	—	—

24. COMMITMENTS (Cont'd)

b. Other commitments

Under the joint venture agreements for the establishment of 廣州生活易信息服務有限公司 and 廣州精明眼信息服務有限公司, the Group has committed to pay pre-determined annual fees to the PRC joint venture partners for a period of 15 years from August 2000 to August 2015. The total commitments for these pre-determined fees as at 31st December, 2000 are analysed as follows:

	2000 \$'000	1999 \$'000
Payable during the following period:		
— within one year	75	—
— within two to five years	302	—
— beyond five years	730	—
	1,107	—

25. PENSION SCHEME

During the period from 1st January, 2000 to 30th November, 2000, the Group had arranged for its Hong Kong employees a defined contribution provident fund ("the Original Scheme"), which was managed by an independent trustee. Each of the Group and its Hong Kong employees made monthly contributions to the Original Scheme with an amount of 5% of the employees' basic salaries. The Hong Kong employees were entitled to receive their entire contribution and the accrued interest thereon; and 100% of the Group's employer contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of service, or at a reduced scale of between 10% to 90% after completing one to nine years of service. The forfeited contributions made by the Group and related accrued interest were used to reduce the employer's contribution. The Original Scheme was terminated on 30th November, 2000 and all the amounts previously contributed by the employees and the employer will be distributed back to respective employees. During the year, the aggregate amount of employer's contribution made to the Original Scheme was approximately \$260,000 (1999 - \$26,000), after deduction of forfeited contributions of approximately \$100,000 (1999 - \$93,000).

25. PENSION SCHEME (Cont'd)

Since 1st December, 2000, the Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The employees' contribution is subject to cap of monthly earnings of \$20,000 and thereafter contributions are voluntary, while the employer's contribution is not subject to any earnings cap.

During the year ended 31st December, 2000, the aggregate amount of employer's contribution made by the Group to the MPF Scheme was approximately \$65,000.

As stipulated by the rules and regulations in Mainland China, the subsidiaries in Mainland China are required to contribute to a state-sponsored retirement plan for its employees in Mainland China. According to the rules prevailing in Mainland China, the Group is required to contribute approximately 11%-15% of the basic salary of its employees in Mainland China, and has no further obligations for the actual pension payments or post-retirement benefits. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. During the year, approximately \$175,000 (1999 - \$1,000) had been paid by Mainland China subsidiaries with respect to such retirement plan.

26. BANKING FACILITIES AND PLEDGE OF BANK DEPOSITS

As at 31st December, 2000, the Group had aggregate banking facilities of approximately \$10,660,000 (1999 - Nil) from a bank for a short-term loan which was all utilised as at the same date. The banking facilities were secured by the Group's pledged bank deposits of approximately \$15,450,000 (1999 - Nil).

27. PRIOR YEAR COMPARATIVE FIGURES

Pursuant to a group reorganisation scheme ("the Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market, 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 Reorganisation has been accounted for on the basis of merger accounting as if the current group structure had been in existence throughout the year ended 31st December, 1999.

28. ULTIMATE HOLDING COMPANY

The Directors consider Asian Dynamics International Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

29. SUBSEQUENT EVENT

Subsequent to 31st December, 2000, the Group increased its equity interest in Knowledge Base Holding Limited from 12.5% to 22.5% for a cash consideration of \$1,500,000. In addition, the Group advanced \$1,000,000 to Advantage Mortgage Services Limited, a wholly owned subsidiary of Knowledge Base Holding Limited. The amount was unsecured, bore interest at 9% per annum and not due for repayment on or before 1st January, 2002.