

Riding
on the

Converging Forces

of the
New Economy



1st QUARTERLY REPORT 2001

**Asian Information Resources
(Holdings) Limited**

(Incorporated in the Cayman Islands with limited liability)

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.

QUARTERLY RESULTS

The board of directors (the “Board”) of Asian Information Resources (Holdings) Limited (the “Company”) present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March 2001 together with the comparative figures for the corresponding period in 2000 as follows:

	<i>Notes</i>	For the three months ended 31st March	
		2001	2000
		HK\$'000	HK\$'000
Turnover	<i>1</i>	1,303	2,938
Cost of services and merchandise sold		(824)	(768)
Content and project development costs		(1,605)	(685)
Selling expenses		(1,663)	(1,251)
General and administrative expenses		(11,670)	(5,008)
Other operating (expenses)/income		(622)	225
Amortization of goodwill		(79)	—
Loss from operations		(15,160)	(4,549)
Interest income		906	1,792
Interest expense		(157)	—
Share of loss of associates		(1,859)	(56)
Loss before taxation		(16,270)	(2,813)
Taxation	<i>2</i>	(44)	(1)
Loss after taxation but before minority interests		(16,314)	(2,814)
Minority interests		130	18
Net loss		<u>(16,184)</u>	<u>(2,796)</u>
Loss per share			
— Basic	<i>3</i>	<u>(3.40 cents)</u>	<u>(0.58 cents)</u>

Notes:

1. Turnover

	For the three months ended 31st March	
	2001 HK\$'000	2000 HK\$'000
Content solution service		
— distribution fees	703	505
— project fees	100	263
Internet solution service fees	387	1,588
Consultancy project fees	—	544
Sales of accessories	113	38
Total turnover	<u>1,303</u>	<u>2,938</u>

2. Taxation

	For the three months ended 31st March	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	—	—
The People's Republic of China (the "PRC") enterprise income tax	44	1
	<u>44</u>	<u>1</u>

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the three months ended 31st March 2001 (2000: Nil). The PRC 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 period 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 the PRC 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 the PRC, and are subject to the PRC enterprise income tax at a rate of 33% (30% state tax and 3% local tax). All the PRC subsidiaries were in a loss position during the three months ended 31st March 2001.

No profit tax was provided for the Company and its subsidiaries operating outside Hong Kong and the PRC 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 March 2001. There was no material unprovided deferred taxation as at 31st March 2001.

3. Loss per share

The calculation of basic loss per share for the three months ended 31st March 2001 was based on the net loss of approximately HK\$16,184,000 (2000: HK\$2,796,000) and the weighted average of approximately 476,237,000 (2000: 480,000,000) ordinary shares in issue during the period.

Diluted loss per share for the three months ended 31st March 2000 and 2001 were not presented because there was no dilutive potential ordinary shares in existence during the periods.

4. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2001 (2000: Nil).

RESERVES

There has been no transfer to or from reserves during the three months ended 31st March 2001.

BUSINESS REVIEW

For the three months ended 31st March 2001, the Group's turnover and net loss were HK\$1,303,000 and HK\$16,184,000 respectively. The adverse results of the Group were mainly due to the expansion in operations since the mid of 2000 and considerable resources allocated to project developments. The costs relating to content development were increased with a view to generating revenue in the future.

Content

Online Content Publishing

During the period under review, the Group concentrated on producing its own proprietary research reports and strengthening its distribution channels.

The Group reformatted the previously acquired research reports and furnished the English translations to meet the standards of the international business community. The global distributors then uploaded the research reports to their platforms. These reports started to generate revenue in the first quarter of 2001 and increased the public's awareness of the Group's capability to produce research reports on the People's Republic of China (the "PRC"). This is an encouraging sign for the Group's upcoming introduction of branded research reports.

The Group has already completed the first batch of its 55 branded research reports with English translation underway. The reports will be uploaded and sold through the distribution network and *Researchofchina.com* in the second quarter of 2001.

To strengthen its distribution channels, the Group is planning to launch three niche market information platforms before the third quarter of 2001. The three niche market information platforms are *Laws of china.com*, *Research of china.com* and *eNews of china.com*. The development of these platforms is expected to be completed in the second quarter of 2001.

The upcoming three platforms will serve as direct sales channels to generate revenue for the Group in the future. *Laws of china.com* will cover PRC legal abstracts alongside the English translations of the PRC laws, which are to be provided by the end of the second quarter of 2001. *Research of china.com* will offer a wide variety of authoritative PRC market research reports whereas *eNews of china.com* provides high quality and up-to-date industry and business news in the PRC. Value-adding to these three platforms, they will be ultimately linked to another platform sharing legal consultancy services and taxation or finance related information to prospective PRC market entrants. More than that, the revamped *China reference.com* will be unveiled in the third quarter of 2001 and will target customers in the Greater China Region.

Mobile Content

The Group has provided its mobile content into the Greater China Region through local licensed distributors. The Group teamed up with Taiwan Cellular Corporation to commence Wireless Application Protocol (“WAP”) delivery at the end of March 2001. The content includes political news, economic news, general news, entertainment news and PRC-oriented tour guides. The service was offered free till the end of April 2001, and the mobile users were charged from May 2001 onwards.

In addition, the provision of “voice on demand” Short Message Service (“SMS”) and WAP content with Guangdong Mobile Communication Company Limited (“GMCC”) in the PRC was tested in the first quarter of 2001. The service will commence test run in June 2001. Upon the completion of the trials, the service will be rolled out to GMCC’s customers in the third quarter of 2001. The Group also plans to extend the service to other areas of the PRC.

IT Enabling Technology

Repositioning its business in the PRC, the Group continued to embrace business opportunities in the IT enabling technology arena. While many of the Group’s resources are allocated in the PRC, the operation in Hong Kong underwent downscaling for tighter cost control.

Aiming to become a vendor of multi-platform software products, Guangzhou Shilian Software Technological Co., Ltd. devoted considerable resources to developing customer relationships management (“CRM”) and Intranet software packages. The development of the CRM and Intranet software products will be completed in the second quarter of 2001.

Cyber Quest Limited (“Cyber Quest”) continues to engage in web hosting and development projects which have secured a steady stream of revenue. Leveraging its technical expertise in the PRC, Cyber Quest has helped clients to develop their own web sites and offered a full suite of web solution services. Cyber Quest subsequently provides tools for clients to facilitate their management of the websites. This service will be opened for subscriptions in May 2001.

Strategic Investment

Following the market downturn and negative sentiments towards eCommerce since the second quarter of 2000, the Group ceased the operations of two online Business-to-Customer (“B2C”) businesses in its portfolio. The Group is now focusing on its existing technology-based and Business-to-Business (“B2B”) projects. Below is an update of the progress of the Group’s portfolio companies:

Comfirm (China) Limited

Comfirm (China) Limited (“Comfirm”) inaugurated its operation in April 2001 and the grand launch in Shenzhen, the PRC, received an encouraging response. The debut of *ComfirmAsia.com* as an online B2B eMarketplace with a business matching system will enhance bilateral trade between the PRC and Europe. Via its business matching system and valued-added services, *ComfirmAsia.com* is positioned to target a wide spectrum of small and medium-sized companies in the PRC. It is expected that newly recruited members will generate online traffic that in turn compels more buyers and suppliers to register as members to seek new trading partners, thereby providing opportunities to generate revenue.

Lecture Kit Company Limited

As the competition in continuing online education in Hong Kong is keen, Lecture Kit Company Limited (“Lecture Kit”) has adjusted its strategy by focusing on the PRC market. Lecture Kit currently sources quality online and distance learning education programs offered by overseas universities and will roll out a series of education programs in the PRC in the third quarter of 2001. Lecture Kit is solely authorized by the East China Normal University of the PRC to run the Mandarin Proficiency Training course in Hong Kong. The latter is one of the prerequisite courses listed by the Education Department of Hong Kong for those who wish to teach Mandarin in schools. Lecture Kit will add an eLearning dimension to the course which is to be launched in the third quarter of 2001.

Advantage Mortgage

Advantage Mortgage has sealed more collaborative agreements with financial institutions to tap into the local mortgage market. The number of banks and financial institutions that have been signed up has risen to 28 during the first quarter of 2001. Advantage Mortgage currently records average monthly loan referrals of over HK\$200 million. In view of its growth potential, the Group has increased its stake in Advantage Mortgage from 12.50% to 22.50% in the first quarter of 2001.

Net Convergence Limited

Net Convergence Limited (“Net Convergence”) developed a new service, “virtual roaming”, which was launched in April 2001. Incorporated as part of the unified messaging service (“UMS”), this newly developed service diverts all local incoming calls to a designated telephone number in the PRC, thereby reducing the roaming charges for frequent travellers. More local sales agents are to be recruited to boost sales of the service in the coming months. The provision of UMS by Net Convergence will further evolve into the “virtual office” package, which helps PRC businessmen to set up virtual representative offices in Hong Kong. This service will be promoted to the customers of Comfirm and the Group’s strategic partners such as Internet Service Provider in the PRC. This form of collaboration best epitomizes the synergy among the Group’s portfolio companies.

i-textile

To further diversify its end-to-end textile sourcing services, i-textile spearheaded the provision of IT solution services for textile firms to establish their own exchange platforms in the first quarter of 2001. The tailor-made platform enables clients to forge closer links with suppliers and retailers.

The technology service of i-textile will be further endorsed by a partnership with a leading technology company in supply chain management, in particular for the garment industries. The combined strength and expertise will further enhance i-textile’s leading position in eBusiness delivery for local textile firms. The partnership is expected to be confirmed in the second quarter of 2001.

Myhome Network Limited

The branding of *myhome.com.cn* is popular in the Southern China and it has been well received in the property market since its launch in early 2000. In line with the Group’s B2B focused strategy, this project is under review. The Group is reconsidering its investment strategy in B2C, where revenue streams have a longer maturation period.

PROSPECTS

The global Internet environment has been affected by profit woes and languishing operations among tech companies. Pure Internet incumbents relying on click rate and online advertising are unviable and unable to create sound revenue models in the market. The beleaguered Internet environment in Hong Kong still has not picked up in the first quarter of 2001. Despite the prevailing negative sentiment, the Group is fully confident in its ability to excel in the Internet arena.

The Group continues to perfect its own branded research reports, which will target potential customers around the world through its global distributors and its own platforms. The directors believe that the impending PRC accession to the World Trade Organization will induce unprecedented opportunities for the Group in the provision of valued PRC-related business intelligence. In line with the newly PRC's promulgated policy to boost the software development last year, the directors expect that software demand in the PRC will be encouraged. Coupled with the Group's network in the PRC, it helps the Group's IT enabling technology division to penetrate into the market.

Facing challenges ahead, the Group is streamlining its operations to strengthen its cash position and improve its performance. As part of the prudent strategy, the Group will further divest to maintain a better financial position. Through the above considerable measurements, the Group is confident in leading a brighter future when eCommerce is widely accepted in the market.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31st March 2001, 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 of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

Name	Personal interest	Number of shares held	
		Corporate interest*	Total
Mr. Leung Chung Wan	960,000	264,934,000 (<i>Note 1</i>)	265,894,000
Mr. Chan Chi Ming	1,440,000	264,934,000 (<i>Note 1</i>)	266,374,000
Ms. Tam Yee Wa Jojo	—	264,934,000 (<i>Note 1</i>)	264,934,000
Mr. Chau Tak Tin	—	264,934,000 (<i>Note 1</i>)	264,934,000
Mr. Kwan Pun Fong Vincent	—	15,700,000 (<i>Note 2</i>)	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. Hinfu Capital Limited (“Hinfu Capital”) holds 15,700,000 shares of the Company. Hinfu Capital is beneficially owned as to 24.625% by Mr. Kwan Pun Fong Vincent.

Save as disclosed above, as at 31st March 2001, 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.

During the three months ended 31st March 2001, no share options had been granted or exercised.

As at 31st March 2001, 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 period 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2001, 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 shares	Percentage of shareholding
Asian Dynamics International Limited	264,934,000	55.63%
Aldgate Agents Limited (<i>Note 1</i>)	66,120,000	13.88%
New World CyberBase Limited (<i>Note 1</i>)	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 March 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months ended 31st March 2001. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months ended 31st March 2001.

SPONSOR'S INTEREST

The Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), and its associates (as referred to in 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 March 2001 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 eCommerce solutions in the Greater China market and investment in companies which operate, inter-alia, as eCommerce, Internet content provider and Internet service provider
Mr. Kwan Pun Fong Vincent	ChinaHowFun.com Corporation Limited	Director	Internet content provider
	Finet Holdings Limited	Director	Internet content provider
Mr. To Hin Tsun Gerald	New World CyberBase Limited	Independent non-executive director	Provision of eCommerce solutions in the Greater China market and investment in companies which operate, inter-alia, as eCommerce, Internet content provider and Internet service provider
Mr. Chan Chi Ming	VTech eLearning Holdings Limited	Independent non-executive director	Provision of IT training courses and online education services
Mr. Peter Francis Amour	SunCorp Information Technologies (Asia) Limited	Director	Provision of unified messaging and other 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.

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 authorities 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.

By Order of the Board
Leung Chung Wan
Chairman

Hong Kong, 10th May 2001