



Asian Information Resources (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

亞洲訊息（控股）有限公司

（於開曼群島註冊成立之有限公司）

2001

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R E P O R T

二 零 零 一 年 第 三 季 度 業 績 報 告

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.

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 and nine months ended 30th September 2001 together with the comparative figures for the corresponding period in 2000 as follows:

	<i>Notes</i>	For the three months ended 30th September		For the nine months ended 30th September	
		2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	1	1,041	2,004	3,485	8,727
Cost of services and merchandise sold		(677)	(1,045)	(2,075)	(3,455)
Content and project development costs		(637)	(2,647)	(3,386)	(2,647)
Selling expenses		(680)	(2,106)	(3,581)	(5,716)
General and administrative expenses		(6,977)	(9,356)	(28,277)	(20,196)
Other operating income		163	58	280	583
Depreciation and amortization		(780)	(413)	(2,250)	(782)
Loss from operations		(8,547)	(13,505)	(35,804)	(23,486)
Profit on disposal of a subsidiary	2	885	—	885	—
Interest income		514	1,253	2,063	5,038
Interest expenses		(185)	—	(556)	—
Restructuring costs	3	(2,128)	—	(2,706)	—
Share of (loss)/profit of associates		(1,597)	2,759	(6,402)	1,130
Loss before taxation		(11,058)	(9,493)	(42,520)	(17,318)
Taxation	4	(57)	(7)	(175)	(25)
Loss after taxation but before minority interests		(11,115)	(9,500)	(42,695)	(17,343)
Minority interests		4	515	175	841
Net loss		(11,111)	(8,985)	(42,520)	(16,502)
Loss per share — Basic	5	(2.33 cents)	(1.87 cents)	(8.92 cents)	(3.44cents)

Notes:

1. Turnover

	For the three months ended 30th September		For the nine months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Content solution service				
—distribution fees	474	545	1,803	1,682
—project fees	140	428	493	1,017
Internet solution service fees	427	550	1,076	4,134
Consultancy project fees	—	480	—	1,563
Sales of accessories	—	1	113	331
Total turnover	<u>1,041</u>	<u>2,004</u>	<u>3,485</u>	<u>8,727</u>

2. Profit on disposal of a subsidiary

On 31st August 2001, the Group has disposed of its 33% equity interest in a subsidiary, Forest Information Technology Company Limited, in which the Group had held 63% of equity interest before the disposal for a cash consideration of HK\$850,000.

3. Restructuring costs

These represented loss on disposal and provision of impairment of fixed assets and inventory in connection with the divestment of non-core businesses.

4. Taxation

	For the three months ended 30th September		For the nine months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	—	—	—	—
The People's Republic of China (the "PRC") enterprise income tax	57	7	175	25
	<u>57</u>	<u>7</u>	<u>175</u>	<u>25</u>

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the nine months ended 30th September 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 nine months ended 30th September 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 30th September 2001. There was no material unprovided deferred taxation as at 30th September 2001.

5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 30th September 2001 was based on the net loss of approximately HK\$11,111,000 and HK\$42,520,000 respectively and the weighted average of approximately 476,237,000 ordinary shares in issue during the periods.

The calculation of basic loss per share for the three months and nine months ended 30th September 2000 was based on the net loss of approximately HK\$8,985,000 and HK\$16,502,000 respectively and the weighted average of approximately 479,630,000 and 479,876,000 ordinary shares in issue during the respective periods.

Diluted loss per share for the three months and nine months ended 30th September 2000 and 2001 were not presented because there was no dilutive potential ordinary shares in existence during the periods.

6. Comparative figures

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

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30th September 2001 (2000: Nil).

RESERVES

There has been no transfer to or from reserves during the nine months ended 30th September 2001.

FINANCIAL REVIEW

For the nine months ended 30th September 2001, the Group's turnover and net loss were HK\$3,485,000 and HK\$42,520,000 respectively. The adverse results of the Group were mainly due to the unsatisfactory performance of the Group's strategic investments made in last year and the decline in content licensing market. During the reporting period, there was a reshuffle of the senior management together with the restructuring of the total operations. The management has continued its rightsizing and divesting measures to control the operating cost of the Group. Loss from operations before depreciation and amortization for this quarter is HK\$7,767,000, representing a decrease of 40.67% over the same quarter of last year of HK\$13,092,000. Net cash outflow for this quarter is HK\$6,623,000, representing a decrease of 44% over the last quarter of HK\$11,835,000.

OPERATIONAL REVIEW

Content Division

Under the guidance of the new management, the Group has successfully transited itself to a new business model. The Group has re-positioned itself from an electronic publisher to an information aggregator to bring Greater China region's (the "Region") information to the world and reciprocally bring world class information back to the Region. By aggregating

high quality and well received information products of worldwide partners, the Group is expected to expand its product portfolio rapidly and capitalize on the expertise of international partners on high quality business researching in a cost effective way. Under the direction of the new management, the Group achieved its first breakthrough on distributing international standard business intelligence in the Region by reaching an agreement with MindBranch, Inc., a reputable international information aggregator, to distribute their research products in the Region. On the other hand, the Group has obtained distribution rights from six research houses in the People's Republic of China ("PRC"), including 信息產業部電信科學技術情報研究所, to distribute their research and information products outside the region of PRC. These exciting developments have further reinforced the Group's position as a two-way information aggregator.

Alongside with the re-positioning, the Group also diversified its product portfolio from on-line products to off-the-shelf products during the period. In the past, the Group has confined itself to an Internet Content Provider, which has proved to be difficult to maintain in the era of post-Internet mania. Facing the reduction of information technology corporate budgets worldwide and the general pessimistic view over the business value of the Internet, such positioning seriously hindered the Group's development. Leveraging the Group's expertise on law database management, the Group will launch a new database product of laws and regulations of the PRC, which will be packaged in a CD-ROM format. The database records over 90,000 pieces of laws and regulations of the PRC covering the period from year 1949 to 2001. The product is ready to launch in next quarter. Management is confident that this product will appeal to both the legal practitioners and corporate users.

The new management is fully aware of the potential of the traditional distribution channels and the limitation of on-line distribution networks, which the Group heavily relied on in the past. This issue is especially important in exploring the Greater China market. In response, the Group has concluded distribution agreements with three Chinese publishing and consulting houses to distribute legitimate industry research products in the PRC through both on-line and off-line media. This newly formed distribution network has already generated revenue to the Group in the forth quarter.

Lecture Kit Company Limited, the education development arm of the Group, has concluded a co-operation agreement with an international education institution to organise degree and master courses in the Greater China region. The Group will act as a co-ordinator on all legal and logistic matters in the co-operation. By making use of the Group's experience on education sector and business connection in the Region, the management believes that this business has the potential to become a significant contributor of revenue to the Group in the near future.

Strategic Investment

The Group continued to divest its non-profitable and non-core businesses during the period.

On 31st August 2001, the Group has disposed of its 33% equity interest in Forest Information Technology Company Limited ("Forest") at a consideration of HK\$850,000, which will be satisfied by cash. The profit on the disposal of Forest is HK\$885,000, which has been accounted for in this period.

In August 2001, the Group has ceased the development of mobile content in view of its high level of capital investment and business risk. In September 2001, the Group stopped its “virtual roaming” service due to the intense competition found in the Hong Kong market, as a result of which the gross profit margin has reduced to an unattractive level for small operators. These decisive actions made by the new management protected the Group’s cash position and retained the Group’s ability for further development.

MAJOR CHANGE OF PERSONNEL

Since 20th June 2001, Mr. Leung Chung Wan has assumed a dual role as Chairman and Chief Executive Officer of the Company.

Mr. To Hin Tsun Gerald has resigned as an independent non-executive director of the Company on 30th August 2001.

PROSPECTS

The new management has taken a series of decisive actions to rationalise the Group’s business. As a result, the Group’s loss on operation has been reduced significantly when it is compared with the result of the same quarter in last year. With tight cost controls, the management believes that the Group is more ready than before to thrive from new business opportunities and create value for shareholders.

With the advent of PRC entry to the World Trade Organisation, the Group will make use of its position as an information aggregator of business information and its established business connections in the PRC to penetrate into the China trade facilitator market. The Group is currently developing the strategic plan to launch a range of trade facilitating services, including organisation of business seminars and business delegation. The Group is also having discussions with a number of reputable institutions in PRC to distribute their information products on economic, social and political environment of PRC and Chinese medicine. The management believes that these products will further enhance the Group's reputation and status as a Chinese information expert.

Following the Group's overall strategy on facilitating two-way information exchanging, the education division is working on the introduction of high quality corporate training on PRC business environment to executives of multi-national corporations and small-medium enterprises, which have keen interest to enter the PRC market.

Looking ahead, our Group is confident to serve the role as a PRC trade-facilitator, which brings new business opportunities and information to the PRC and at the same time assists foreign investors to understand the country. The management believes that informed decision could be made much easier with timely and accurate business information. As a result, the Group is positioned to thrive upon the PRC's accession to the World Trade Organisation membership this year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September 2001, the interests of the directors and chief executive of the Company in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

(1) Directors' interests in shares

Name	Number of shares held				Total
	Personal interest	Family interests	Corporate interest*	Other interests	
Mr. Leung Chung Wan	960,000	—	264,934,000 (Note 1)	—	265,894,000
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; 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.

(2) Director’s rights to acquire shares

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 nine months ended 30th September 2001, no share options had been granted or exercised.

As at 30th September 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
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, none of the directors of the Company or their associates had, as at 30th September 2001, any interests in the shares of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2001, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company:

<u>Name</u>	<u>Number of shares</u>	<u>Percentage of shareholding</u>
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 directors are not aware of any other person having an interest in shares representing 10% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the nine months ended 30th September 2001. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the nine months ended 30th September 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 30th September 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 e-Business solutions including software products, application solutions, network solutions and information technology services in the Greater China Region
Mr. Kwan Pun Fong Vincent	ChinaHowFun.com Corporation Limited	Director	Internet content provider
	Finet Holdings Limited	Director	Internet content provider
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 all independent non-executive directors of the board and has adopted the terms of reference governing the authorities and duties of the audit committee. One of the independent non-executive directors has resigned on 30th August 2001. The present members of the audit committee are Mr. Peter Francis Amour and Mr. Law Shiu Kai Andrew.

By Order of the Board
Leung Chung Wan
*Chairman and
Chief Executive Officer*

Hong Kong, 9th November 2001



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