



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)

2002

**1 s t Q U A R T E R L Y
R E P O R T**

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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”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March 2002 together with the comparative figures for the corresponding period in 2001 as follows:

	Notes	For the three months ended 31st March	
		2002 HK\$'000	2001 HK\$'000
Turnover	1	327	1,303
Cost of services and merchandise sold		(40)	(824)
Content and project development costs		—	(1,278)
Advertising and promotion costs		(2)	(585)
Employee costs		(2,628)	(8,284)
Depreciation and amortization		(178)	(692)
Operating lease rental expenses		(809)	(1,375)
Other operating expenses		(1,582)	(3,425)
Loss from operations		(4,912)	(15,160)
Interest income		180	906
Interest expense		(181)	(157)
Net loss on investment in associates		—	(1,859)
Loss before taxation		(4,913)	(16,270)
Taxation	2	(17)	(44)
Loss after taxation but before minority interests		(4,930)	(16,314)
Minority interests		14	130
Loss attributable to shareholders		<u>(4,916)</u>	<u>(16,184)</u>
Loss per share			
— Basic	3	<u>(1.03 cents)</u>	<u>(3.40 cents)</u>

Notes:

1. Turnover

	For the three months ended 31st March	
	2002 HK\$'000	2001 HK\$'000
Content solution service		
— distribution fees	126	703
— project fees	93	100
Internet solution service fees	108	387
Sales of accessories	—	113
	<u>327</u>	<u>1,303</u>
Total turnover	<u>327</u>	<u>1,303</u>

2. Taxation

	HK\$'000	HK\$'000
Mainland China enterprise income tax	<u>17</u>	<u>44</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 2002 (2001: Nil).

Mainland China enterprise income tax for the Guangzhou representative office of Cyber Strategy Limited, a subsidiary, and the Beijing representative office of Asian Information Resources Limited, a subsidiary, has 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 Mainland China 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, Guangzhou Shilian Software Technological Co., Ltd. and 北京亞訊策略資訊科技有限公司 are subsidiaries established and operating in Mainland China, and 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 three months ended 31st March 2002.

No profit 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 March 2002. There was no material unprovided deferred taxation as at 31st March 2002.

3. Loss per share

The calculation of basic loss per share for the three months ended 31st March 2002 is based on the loss attributable to shareholders of approximately HK\$4,916,000 and the weighted average of approximately 476,237,000 ordinary shares in issue during the periods.

Diluted loss per share for the three months ended 31st March 2001 and 2002 are not presented because the potential ordinary shares were anti-dilutive during the periods.

4. Comparative figures

Certain prior period comparative figures have been reclassified with the adoption of Statements of Standard Accounting Practice No.26 issued by Hong Kong Society of Accountants and in conformity 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 2002 (2001: Nil).

RESERVES

There has been no transfer to or from reserves during the three months ended 31st March 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Due to continuing contraction of the content licensing and Internet solution service market, the Group's unaudited consolidated turnover for the three months ended 31st March 2002 is approximately HK\$327,000, representing a significant reduction of 75% from the same period of last year.

As mentioned in the Annual Report of 2001, the Group has been undergoing a series of cost control measures in order to realign itself with the depressed Internet market. As a result, the total operating cost for the period has been significantly reduced by 68% to approximately HK\$5,239,000, as compared to HK\$16,463,000 for the same

period last year. The significant reduction in operating cost is mainly due to the reduction of employee costs and other operating costs by 68% and 54% respectively as a result of closing down or scale down of unprofitable operations during year 2001. No content and development cost had incurred during the period as the Group had been more cost efficiently internalized its development function.

Liquidity and Financial Resources

As at 31st March 2002, the net current assets of the Group was approximately HK\$26,736,000.

As at 31st March 2002, the Group's current liabilities included short-term bank loans denominated in Renminbi amounted to approximately HK\$13,624,000, which were secured by bank deposits of approximately HK\$14,420,000.

Material Acquisition or Disposal

The Group has no material acquisition or disposal during the reporting period.

Operational Review

Content Division

During the period, the Group continued to provide digital content on industry news of the Greater China Region. The depression of the Internet market seriously hindered the development of the business, of which target clients are portals and eCommerce firms. To enable the Group to improve over such adverse market situation, the division has focused its research effort on a number of fast growing industries and enhanced its database accordingly. The division will make use of the enhanced database to expand its target market to traditional firms and develop corporate consultancy business. The management believes that this strategy is critical to rebuild the division's revenue stream.

Internet Solution Service Division

As mentioned in Annual Report of year 2001, in response to the downturn of the Internet solution service market,

Management has significantly reduced the operation of the division. During the period, the market showed no sign of rebound and price competitions on web building, web hosting and web maintenance remained fierce. Turnover of the division was reduced by 72% from the same period of last year to approximately HK\$108,000.

Strategic Investment

On 27th April 2002, the Group has disposed its entire interest in Verticalsquare.com Holding Inc. (owner of www.i-textile.com) and recorded a gain on disposal. Management will continue monitoring the Group's investment portfolio closely and seek divestment opportunity for non-core investments.

Prospects

As a result of major consolidation in the Internet industry, the Internet solution and content service market had become highly competitive. In response, Management has been taking a series of cost control measures and internal restructuring exercises to rationalize the cost structure of the Group. The benefit of the exercise has already been reflected in this quarter's result.

Beyond cost control, Management believes that the future performance of the Group depends on the specialization of its services. Instead of providing general content and Internet solutions, the Group will develop expertise on selected fast growing industries. Management believes that this strategy is essential to build up a long-term business and capture the growth opportunity. The Group will pursue the strategy through enrolment of a team of professionals and specialists and making strategic investment. On the other hand, Management will continue to seek to divest the Group's non-core assets and to develop the Group's other profitable opportunities.

Employee and Remuneration Policies

As at 31st March 2002, the Group employed a total of 25 employees. Management believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees

are remunerated according to their performance and work experience. In addition to basic salaries and mandatory provident fund scheme, staff benefits include medical scheme, share options and performance bonus. The Group's remuneration policies are in line with prevailing market practices.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st March 2002, the interests of the directors 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	960,000	—	264,934,000	—	265,894,000
Chung Wan			(Note)		

* 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.

Note:—

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.

(2) Directors' 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 three months ended 31st March 2002, no share options had been granted or exercised.

As at 31st March 2002, 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	320,000	25th January 2001	24th January 2003	HK\$0.89
Chung Wan	1,000,000	15th June 2001	14th June 2003	HK\$0.47
Ms. Tam	320,000	25th January 2001	24th January 2003	HK\$0.89
Yee Wa Jojo	1,500,000	15th June 2001	14th June 2003	HK\$0.47

Save as disclosed above, none of the directors of the Company or their associates had, as at 31st March 2002, 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 31st March 2002, 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:

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

Note:

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 three months ended 31st March 2002. 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 2002.

COMPETING INTERESTS

Pursuant to rule 11.04 of the GEM Listing Rules, as at 31st March 2002 the interest of each director, management shareholder (as defined in the GEM Listing Rules) and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group is set out below:

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. Ong Yvette	New World CyberBase Limited	Managing director	Provision of total e-Business solutions including software products, application total solutions and information technology services in the Greater China Region.

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the “Board Practices and Procedures” as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period.

By Order of the Board
Leung Chung Wan
Chairman

Hong Kong, 14th May 2002



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