



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

I N T E R I M
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”)

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This report, for which the directors (the “Directors”) of Asian Information Resources (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (“GEM Listing Rules”) on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 six months ended 30th June 2002 together with the comparative figures for the corresponding periods in 2001 as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	1	394	1,141	721	2,444
Cost of services and merchandise sold		(73)	(574)	(113)	(1,398)
Content and project development costs		(60)	(1,144)	(60)	(2,749)
Selling expenses		–	(1,238)	(2)	(2,901)
Employee costs		(1,541)	(5,993)	(4,169)	(11,026)
Operating lease rental expenses		(479)	(1,691)	(1,288)	(3,066)
Other operating expenses		(1,182)	(3,060)	(2,764)	(8,944)
Provision for doubtful debts		(57)	–	(57)	–
Provision for doubtful loans receivable written back	2	5,660	–	5,660	–
Depreciation and amortization		(134)	(116)	(312)	(195)
Profit/(loss) from operations		2,528	(12,675)	(2,384)	(27,835)
Interest income		128	643	308	1,549
Interest expenses		(142)	(214)	(323)	(371)
Share of profit/(loss) of associates		–	(2,910)	–	(4,805)
Profit/(loss) before taxation		2,514	(15,156)	(2,399)	(31,462)
Taxation	3	(9)	(74)	(26)	(118)
Profit/(loss) after taxation but before minority interests		2,505	(15,230)	(2,425)	(31,580)
Minority interests		–	41	14	171
Profit/(loss) attributable to shareholders		<u>2,505</u>	<u>(15,189)</u>	<u>(2,411)</u>	<u>(31,409)</u>
Earnings/(loss) per share					
– Basic	4	<u>0.53 cents</u>	<u>(3.18 cents)</u>	<u>(0.51 cents)</u>	<u>(6.59 cents)</u>
– Diluted		<u>0.52 cents</u>			

Notes:

1. Turnover

	For the three months ended 30th June		For the six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Content solution services				
– distribution fees	128	626	254	1,329
– project fees	138	253	231	353
Internet solution service fees	128	262	236	649
Sales of accessories	–	–	–	113
Total turnover	<u>394</u>	<u>1,141</u>	<u>721</u>	<u>2,444</u>

2. Provision for doubtful loans receivable written back

Provision for doubtful loans receivable written back represented a partial recovery of loans approximately amounted HK\$5,660,000. Full provision for these loans amounted HK\$13,604,000 has been made in December 2001.

3. Taxation

	For the three months ended 30th June		For the six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax	–	–	–	–
The People's Republic of China (the "PRC") enterprise income tax	<u>9</u>	<u>74</u>	<u>26</u>	<u>118</u>

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the six months ended 30th June 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 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 three months ended 30th June 2002.

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 30th June 2002. There was no material unprovided deferred taxation as at 30th June 2002.

4. Earnings/loss per share

The calculation of basic earnings/loss per share for the three months and six months ended 30th June 2002 was based on the profit/(loss) attributable to shareholders of approximately HK\$2,505,000 and (HK\$2,411,000) and the weighted average of approximately 476,237,000 ordinary shares in issue during the periods.

The calculation of diluted earnings per share for the three months ended 30th June 2002 was based on the profit attributable to shareholders of approximately HK\$2,505,000 and the weighted average of approximately 479,689,000 ordinary shares assumed to have been issued on the deemed exercise of all share options during the periods. Diluted earnings per share for three months ended 30th June 2001, six months ended 30th June 2001 and its corresponding period ended 30th June 2002 were not calculated because the potential ordinary shares were anti-dilutive during these periods.

5. 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 six months ended 30th June 2002 (2001: Nil).

RESERVES

There has been no transfer to or from reserves during the six months ended 30th June 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Due to continuing contraction of the internet solution services market, the Group's unaudited consolidated turnover for the six months ended 30th June 2002 is approximately HK\$721,000, representing a significant reduction of 71% from the same period of last year.

During the reporting period, the management concentrated in rationalization of the Group's operations and divesting measures to control the operating cost of the Group. As a result, the total operating cost for the period has been significantly reduced by 71% to approximately HK\$8,765,000, as compared to HK\$30,279,000 for the same period last year. The significant reduction in operating cost is mainly due to the reduction of employee costs, rental expenses and other operating costs by 62%, 58% and 69% respectively as a result of termination or significant scale down of unprofitable operations during the period.

Taking into account of the savings from cost control and the recovery of loans of approximately HK\$5,660,000 mentioned above, the Group has successfully improved its results from loss to profit during the three months ended 30th June 2002. Profit attributable to shareholders for this quarter is HK\$2,505,000, representing a substantial improvement over loss attributable to shareholders for the first quarter of the year 2002 of HK\$4,916,000.

Material acquisition or disposal

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

OPERATION REVIEW

Content Division

With enormous effort focusing on its research resources on a number of fast growing industries and keep enhancing the Company's information database, this division repositioned its target market to traditional firms and successfully developed consultancy business by making use of these enhanced database. In view of the strong demand for "China Consultancy Services" and "Professional China Information", the management believes that this division can revitalize its revenue stream to the Group's operating results in the future.

Internet Solution Services Division

Facing the fierce market competition, other than those existing internet solution services provided, this division had expanded the service coverage for its clients. These services included catalogue design, multimedia production, web hosting and web maintenance. In order to streamline workflow and upgrade those services provided, this division had strengthened its manpower recently.

Strategic Investment

The Group will continue adopting a prudent business strategy towards new investments. During the period under review, the management successfully recovered a loan at about HK\$5,660,000, which has been fully provided for in previous year. The management committed to monitor the Group's investment portfolio closely and seek divestment opportunities for non-core investments in the future. Instead of providing traditional internet solutions, the Group will expand its management expertise on a number of selected synergic and fast growing projects. The Group is investigating the feasibility of diversification as well as monitoring such possible investments.

PROSPECTS

With China's accession to WTO and the economic downturn in Hong Kong, small and medium size enterprises are encouraged by the investment experts to consider investment opportunities in China. Based on the prestigious and well

established database that the Group has built up insofar, complemented with the strong connections and distribution networks in China, the Group shall, besides maintain its core profitable business, look for core related investment opportunities with high-growth potential.

Employee and Remuneration Policies

As at 30th June 2002, the Group employed a total of 29 employees. Management believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of performance and experience of the employees.

The Company maintains a share option scheme and no share options were granted or exercised during the period.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June 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 Interest	Corporate Interest*	Other Interests	
Mr. Leung Chung Wan	960,000	-	264,934,000 (Note)	-	265,894,000
Dr. Lo Wai Shun	200,000	-	-	-	200,000

* 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.

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 six months ended 30th June 2002, no share options had been granted or exercised.

As at 30th June 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 2000	24th January 2003	HK\$0.89
Chung Wan	1,000,000	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 June 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 30th June 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 six months ended 30th June 2002. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30th June 2002.

COMPETING INTERESTS

Pursuant to rule 11.04 of the GEM Listing Rules, as at 30th June 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:

Substantial Shareholder	Entity that competes or may compete with business of the Group	Competing business of the entity
New World CyberBase Limited	New World CyberBase Limited	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

Xie Xuan

Chairman

Hong Kong, 12th August 2002