



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

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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 on the Growth Enterprise Market of The Stock Exchange (“GEM Listing Rules”) 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 nine months ended 30th September 2002 together with the comparative figures for the corresponding periods in 2001 as follows:

	Notes	For the three months ended 30th September		For the nine months ended 30th September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	842	1,041	1,563	3,485
Cost of services and merchandise sold		(55)	(677)	(168)	(2,075)
Content and project development costs		-	(637)	(60)	(3,386)
Gross profit		787	(273)	1,335	(1,976)
Other income		104	163	357	280
Interest income		111	514	419	2,063
Selling expenses		-	(680)	(2)	(3,581)
Administrative expenses		(2,915)	(4,453)	(8,372)	(17,110)
Other operating expenses		(660)	(3,304)	(4,046)	(13,417)
Restructuring costs		-	(2,128)	-	(2,706)
Provision for doubtful loans receivable written back	3	3,113	-	8,773	-
Profit on disposal of a subsidiary		-	885	-	885
Profit on disposal of partial interest of an associated company	4	300	-	300	-
Profit/(loss) from operations		840	(9,276)	(1,236)	(35,562)
Finance cost		(29)	(185)	(352)	(556)
Share of loss of associates		-	(1,597)	-	(6,402)
Profit/(loss) before taxation		811	(11,058)	(1,588)	(42,520)
Taxation	5	(3)	(57)	(29)	(175)
Profit/(loss) after taxation but before minority interests		808	(11,115)	(1,617)	(42,695)
Minority interests		-	4	14	175
Profit/(loss) attributable to shareholders		808	(11,111)	(1,603)	(42,520)
Earnings/(loss) per share	6				
- Basic		0.17 cents	(2.33 cents)	(0.33 cents)	(8.92 cents)
- Diluted		0.17 cents			

Notes:

1. Basis of preparation

The accounting policies and methods of computation adopted in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31st December 2001, except for those new SSAP's which are effective for the first time for the current year's quarterly financial statements. The adoption of the above-mentioned SSAP's has no material changes to the accounting policies that affect the Group's accounts.

2. Turnover

	For the three months ended 30th September		For the nine months ended 30th September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Content solution services				
– distribution fees	65	474	319	1,803
– project fees	717	140	948	493
Internet solution service fees	60	427	296	1,076
Sales of accessories	–	–	–	113
Total turnover	<u>842</u>	<u>1,041</u>	<u>1,563</u>	<u>3,485</u>

3. Provision for doubtful loans receivable written back

Provision for doubtful loans receivable written back represented a partial recovery of loans approximately amounted to HK\$3,113,000 (equivalent to RMB3,300,000). In total, the Group has written back doubtful loans receivable approximately amounted to HK\$8,773,000 (equivalent to RMB9,300,000) for the nine months ended 30th September 2002. Full provision for these loans amounted to HK\$13,604,000 has been made in December 2001.

4. Profit on disposal of partial interests of an associated company

Profit on disposal of partial interests of an associated company represented the sale proceed for the disposal of partial interests in Knowledge Base Holding Limited ("Knowledge Base"). Full provision for the investment in Knowledge Base has been made in December 2001.

5. Taxation

	For the three months ended 30th September		For the nine months ended 30th September	
	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	3	57	29	175

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 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 Company Limited, 廣州精明眼信息服務有限公司, Guangzhou Shilian Software Technological Company Limited 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 tax loss position during the nine months ended 30th September 2002.

No profits tax was provided for the Company and its subsidiaries operating outside Hong Kong and Mainland China as they were either not subject to taxation in their respective jurisdiction of operations or still in tax loss positions as at 30th September 2002. There was no material unprovided deferred taxation as at 30th September 2002.

6. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30th September 2002 was based on the profit/(loss) attributable to shareholders of approximately HK\$808,000 and (HK\$1,603,000) respectively 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 September 2002 was based on the profit attributable to shareholders of approximately HK\$808,000 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 loss per share for the three months ended 30th September 2001, the nine months ended 30th September 2001 and its corresponding period ended 30th September 2002 were not calculated because the potential ordinary shares were anti-dilutive during these periods.

7. 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.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30th September 2002 (2001: Nil).

RESERVES

Other than the net profit/loss for the three months and nine months ended 30th September 2002, there has been no transfer to or from reserves during the reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Owing to the persistent sluggish Internet solution and content services market, the Group recorded a reduction of 55% in unaudited consolidated turnover to approximately HK\$1,563,000 for the nine months ended 30th September 2002 when compared with the corresponding period of last year. Nevertheless, by making use of the Group's enhanced information database to develop the China consultancy business, the Group has successfully revitalized the revenue stream in this division. As a result, the Group's unaudited consolidated turnover for the three months ended 30th September 2002 is approximately HK\$842,000, representing a slight reduction of 19% from the same period of last year.

As a consequence of the implementation of a series of cost control and divesting measures, the total operating cost for the nine months ended 30th September 2002 has been significantly reduced by 66% to approximately HK\$12,420,000, as compared to HK\$36,814,000 for the same period last year. The significant reduction in operating cost is mainly due to the decrease of employee costs, rental expenses and other operating costs by 50%, 56% and 68% respectively on account of either termination or significantly scale down of unprofitable operations during the period.

Taking into account the savings from cost control mentioned above and the recovery of loans approximately amounted to HK\$5,660,000 and HK\$3,113,000 in the second and third quarter this year respectively, the Group has successfully recorded an operating profit for two consecutive quarters. Profit attributable to shareholders for the three months ended 30th September 2002 is HK\$808,000, representing a substantial improvement over loss attributable to shareholders for the corresponding period of year 2001 of HK\$11,111,000.

Contingent Liability

As we have mentioned in the interim report this year, a PRC joint venture partner has instituted litigation against the Group for a payment amounted to Renminbi 1,500,000 representing the final installment of the consideration for a PRC domain name. Such remaining balance was held as the PRC joint venture partner failed to transfer the domain name to the Group. While the PRC joint venture partner has commenced legal proceedings against the Group, the Group

has also commenced arbitration proceedings in the PRC concerning the same dispute. The litigation is still in process as at 30th September 2002.

During the reporting period, the Group lodged a claim against a former landlord regarding to a fire accident of our office premises in June 2000 of amount HK\$1,764,000. The former landlord filed a counterclaim of amount HK\$807,000 against the Group for the above-mentioned fire accident. While the former landlord has commenced legal proceedings against the Group, the Group has also commenced proceedings concerning the same dispute. The litigation is still in process as at 30th September 2002.

During the period under review, the legal representatives of the dependents of two deceased individuals in the above-mentioned fire accident had issued letters to claim damages for the death of the deceased. These letters were issued to the Company, the former landlord and the estate management company of the office premises. As of today, the claimants have not yet commenced legal proceedings against the Company.

Contingent liabilities for this amount are not recognized in the financial statements but they are disclosed, as the possibility of an outflow of resources embodying economic benefits is remote.

Material Acquisition or Disposal

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

OPERATION REVIEW

Content Division

Following the continual effort in enhancing the Company's information database on a number of fast growing industries, this division has successfully developed the China consultancy business and professional information advisory services by making use of our enhanced database. During the reporting period, this division has commenced to generate revenue to the Group's operating results. The management will maintain this development strategy for the Content Division and we believe that this division will contribute a substantial level of revenue to the Group in the future.

Internet Solution Services 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 this division was reduced by 72% from the same period of last year to approximately HK\$296,000. In order to improve the operating performance, this division had expanded the services coverage such as catalogue design, multimedia production, web hosting and web maintenance for its clients.

Strategic Investment

The Group will continue adopting a prudent business strategy towards new investments. For the three months ended 30th September 2002, the management has successfully negotiated the recovery of a portion of loans at about HK\$3,113,000, which have been fully provided for in previous year. As we have mentioned in the interim report, the management committed to seek divestment opportunities for non-core investments in the future. During the reporting period, the Group has successfully disposed partial interests of Knowledge Base, which held the Advantage Mortgage group of companies that operated an e-Commerce platform for mortgage related services.

While the Group is considering investing in a number of selected synergic and fast growing projects, the Group also seeks to ensure procuring an active control role in the management and operations in these projects. The Group is investigating the feasibility of diversification as well as monitoring such possible investments.

PROSPECTS

As a result of major consolidation in the Internet industry, the Internet solution and content services market had become highly competitive. In response, the management has been taking a series of cost control measures and internal restructuring exercises to rationalize the cost structure of the Group.

Beyond cost control, the management believes that specialization of its services is a critical strategy to improve the future performance of the Group. With the high quality professionals employed and the 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.

The Group continues to develop the e-learning business through its trademark—China Cyber University. China Cyber University is in the process of carrying out the market research and feasibility study for the proposed Graduate Program in the PRC with the local and overseas educational institutions.

Employee and Remuneration Policies

The Group employed a total of 32 employees as at 30th September 2002. 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 are 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 September 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	Personal Interest	Number of shares held			Total
		Family Interest	Corporate Interest*	Other Interests	
Mr. Leung Chung Wan (Note A)	960,000	-	264,934,000	-	265,894,000
Dr. Lo Wai Shun (Note B)	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:

- (A) 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.
- (B) Dr. Lo Wai Shun resigned as non-executive director of the Company with effect from 4th October 2002.

(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 nine months ended 30th September 2002, no share options had been granted or exercised.

As at 30th September 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 September 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 September 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 (Note)	66,120,000	13.88%
New World CyberBase Limited (Note)	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 nine months ended 30th September 2002. 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 2002.

COMPETING INTERESTS

Pursuant to rule 11.04 of the GEM Listing Rules, as at 30th September 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 completes 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, 11th November 2002



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