

| First Quarterly Report **2003** |



**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”)

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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 2003 together with the comparative figures for the corresponding period in Year 2002 as follows:

	Notes	For the three months ended 31st March	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	345	327
Cost of services and merchandise sold		(21)	(40)
Interest income		55	180
Advertising and promotion costs		-	(2)
Employee costs		(2,448)	(2,628)
Depreciation and amortization		(74)	(178)
Operating lease rental expenses		(538)	(809)
Other operating expenses		(1,192)	(1,582)
Loss from operations		(3,873)	(4,732)
Finance costs		(2)	(181)
Other gain on long term investments	3	300	-
Loss before taxation		(3,575)	(4,913)
Taxation	4	-	(17)
Loss after taxation but before minority interests		(3,575)	(4,930)
Minority interests		-	14
Loss attributable to shareholders		(3,575)	(4,916)
Loss per share			
- Basic	5	(0.75 cent)	(1.03 cents)

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). 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 2002.

2. Turnover

	For the three months ended 31st March	
	2003	2002
	HK\$'000	HK\$'000
Content solution service		
– distribution fees	110	126
– project fees	73	93
Internet solution service fees	<u>162</u>	<u>108</u>
Total turnover	<u><u>345</u></u>	<u><u>327</u></u>

3. Other gain on long term investments

Other gain on long term investments represented the sale proceed for the disposal of partial interest in Knowledge Base Holding Limited ("Knowledge Base"). Full provision for the investment in Knowledge Base has been made in December 2001.

4. Taxation

	HK\$'000	HK\$'000
The PRC enterprise income tax	<u>–</u>	<u>17</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profit during the three months ended 31st March 2003 (2002: Nil).

The PRC enterprise income tax for the representative offices operating in the PRC has been provided at the rate of 33% on deemed net profit for the year based on total expenditures incurred by these 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%. Other subsidiaries established and operating in the PRC are subject to the PRC enterprise income tax at a rate of 33%. All the PRC subsidiaries were in a loss position during the three months ended 31st March 2003.

No profits 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 2003.

5. Loss per share

The calculation of basic loss per share for the three months ended 31st March 2003 is based on the loss attributable to shareholders of approximately HK\$3,575,000 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 2002 and 2003 are not presented because the potential ordinary shares were anti-dilutive during the periods.

6. 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 an interim dividend for the three months ended 31st March 2003 (2002: Nil).

RESERVES

Other than the net loss for the three months ended 31st March 2003, there has been no transfer to or from reserves during the reporting period.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Despite of the continuing sluggishness of the information technology and Internet market, the Group was able to maintain a stable revenue stream in the first quarter of Year 2003. The Group's unaudited consolidated turnover for the three months ended 31st March 2003 is approximately HK\$345,000, representing a slight growth of 6% from the corresponding period of Year 2002.

During the reporting period, the Group continued to adopt effective but prudent cost rationalisation and resources internalisation measures as mentioned in the Annual Report of Year 2002. As a result, the unaudited consolidated loss attributable to shareholders for the reporting period is further reduced by 27% to approximately HK\$3,575,000, as compared with the corresponding period of last year. Operating lease rental expenses were significantly reduced by 34% to approximately HK\$538,000, mainly due to moving our office to a new location with significant reduction in rental rate since April 2002.

Contingent liability

During the year ended 31st December 2002, the Group lodged a claim against a former landlord in relation to a fire accident that occurred in the Group's former office premises in June 2000 for compensation of HK\$1,764,000 that the Group had previously paid out to a deceased employee as employees compensation. The former landlord filed a counterclaim against the Group for approximately HK\$807,000. The litigation is still in process as at 31st March 2003. After seeking legal advices and considering the information available to the Group in relation to the alleged claim, the directors of the Company consider that the claim from the former landlord is not likely to succeed and no provision has therefore been made in the accounts.

In March 2003, certain individuals (representing family members of a deceased employee of the Group and family members of a deceased individual unrelated to the Group) filed claims against the Group for compensation in relation to the aforementioned fire accident that has occurred in

the Group's former office premises. The former landlord of the Group mentioned above is also a co-defendant to these proceedings. After taking into account the employees compensation already paid to these claimants, the total net amount claimed is approximately HK\$5,337,000. The litigation is still in process as at 31st March 2003. After seeking legal advices and considering the information available to the Group in relation to the alleged claim, the directors of the Company consider that the case is still at an early stage of the proceedings and they consider the chance of the Group to incur significant obligation out of this claim is remote.

Material Acquisition or Disposal

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

Employee and Remuneration policies

As at 31st March 2003, the Group employed a total of 38 employees. The 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.

OPERATIONAL REVIEW

Content Division

The continuing depression of the Internet market hindered the development of the business, of which our target clients are portals and eCommerce firms. Turnover of this division was reduced by 16% as compared with the corresponding period of last year to approximately HK\$183,000. As mentioned in the Annual Report of Year 2002, the Group was undergoing a restructuring process on one of our important portals, the Greater China Web. By utilising our enhanced database particularly on a number of fast-growing industries, the performance of this division is expected to improve substantially following the completion of the restructuring process.



Internet Solution Service Division

Despite facing sluggish market and fierce price competitions on web building, web hosting and web maintenance, the turnover of the Internet Solution Service Division for the three months ended 31st March 2003 was increased by 50% from the corresponding period of last year to approximately HK\$162,000. It was mainly due to the enhancements in the services we rendered and the expansion in professional IT workforce during the reporting period, which facilitated the Company to reposition its target customers to reputable and large organizations like the Government departments. As mentioned in the Annual Report of Year 2002, the Group committed to devote its resources to develop enterprise solutions to cater for the specific market needs. However, most of these solutions were in their research and development stage. It is expected that the Internet Solution Service Division will make a considerable contribution to the Group's turnover and profit when these solutions are launched in the market.

Strategic Investment

For the three months under review, the Group had been actively investigating the feasibility of investing in a number of synergic and fast growing projects in the telecommunication, e-logistics, and educational industry. As of the date of this report, the Group had entered into an agreement to exchange 51% of shares of United Resources (Educational Development) Limited ("UR") for 20% of shares in a Group's wholly owned subsidiary, so as to augment the Group's on-line education business with the campus owned by UR at the outskirts of Beijing. Apart from this, constructive negotiations have been taking place with certain selected targets and some of them are now in the closing stage. The management believes that these investments can enhance the long-term profitability of the Group.

Conversely, the management continues to seek divestment opportunity for non-core investments. During the three months under review, the Group had further disposed of its partial interests in Knowledge Base group, which held the Advantage Mortgage group of companies that operated an e-commerce platform for mortgage related services.

PROSPECTS

After the burst of the Information Technology bubble in Year 2001, the Group had been confronted with a difficult challenge: the reluctance in purchasing internet contents by the consumers, the fierce competition in the market, and the general recession of the Hong Kong economy, all counted to deteriorate the overall situation. However, the Group had successfully strived for its survival in these difficult times, and at the same time laid the foundation to pave the way ahead.

Content Solution

Consultancy and Information Services for Non-Performing Loans ("NPL's) in the PRC

The Group had entered into an agreement with The Credit Rating Information Services of India Limited ("CRISIL"), one of the world's leading credit rating agency, to cooperate in providing consultancy and information services regarding the NPL's in the PRC.

With the Group's well-established business networks and experiences in the PRC, valuable consultancy and information services can be provided to international investors in relation to these NPL's, particularly in areas like valuation of the NPL's, infrastructure of the PRC economy, banking and financial systems, regulations and restrictions for doing business in the PRC and acquisition of the NPL's in the PRC. Through this exercise, the Group can further enhance the PRC corporation database.

With these efforts made, consultancy and information services would generate additional revenue to the Group.

IT Enabling Technology

Development of Integrated e-Logistics Platform

As mentioned in our Annual Report of Year 2002, considerable efforts have been placed on the development of IT Solutions to fast growing industries that enable synergy with our existing core business, and an e-logistics platform is the pioneering solution that will be provided to the market.



As of the date of this report, some modules of the totally integrated solution had already been completed, and the full scale integrated system is expected to be completed within this financial year. The Group received enquiries from some SME's in relation to this integrated solution recently, and we expected this can generate considerable market share as well as revenue once the Group launches it in the second or third quarter of Year 2003.

Development of a Logistics Network in South East Asia

A lot of prospective users in the logistics industries found our technological support valuable for exploring the market and increasing their operational efficiencies. As a result, many of them negotiated with the Group for more in-depth co-operation through integrations, mergers and acquisitions. Feasibility studies were carried out and we expected that some of these co-operations can be completed in the second and third quarter of Year 2003.

Strategic Investment

On-line Educational Services in the PRC

For the period under review, the Group had entered into an agreement that, by way of exchange of 20% of shares of a wholly-owned subsidiary, Lecture Kit Company Limited, acquired 51% of shares of UR, which owns a campus at the outskirts of Beijing. The campus has a total area of approximately 100,000 square metres and a built-up area of approximately 45,000 square metres. UR also owns a comprehensive China Law Lectures Series edited by the renowned Fudan University (復旦大學) which will be provided to the students through the Group's on-line educational services. It is believed that the acquisition of UR will augment our educational services in the PRC, because the Group can provide a blended mode educational services (i.e. a combination of both traditional on-site and on-line educational services) to cater for the increasing needs for quality educational services in the PRC.

As a matter of fact, Professional Mandarin Course (普通話語文能力培訓課程), co-organized with a renowned PRC university, East China Normal University School of Humanities, is agreed to be launched in the third quarter of

Year 2003. This course has a comparative advantage as it was one of the earliest courses that was admitted and approved by the PRC educational authority.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st March 2003, none of the directors or their associates had any personal, family, corporate or other interests in any equity or debt securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, 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 (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 three months ended 31st March 2003. 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 2003.



COMPETING INTERESTS

Pursuant to rule 11.04 of the GEM Listing Rules, as at 31st March 2003, 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 May 2003