

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

ASIAINFO HOLDINGS INC  
Form 10-Q  
November 14, 2003

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
Commission File Number 001-15713

-----

ASIAINFO HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE 752506390  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

4TH FLOOR, ZHONGDIAN INFORMATION TOWER  
6 ZHONGGUANCUN SOUTH STREET, HAIDIAN DISTRICT  
BEIJING 100086, CHINA  
(Address of principal executive office, including zip code)

+8610 6250 1658  
(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

-----

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.

Yes  No

The number of shares outstanding of the Registrant's common stock as of  
November 11, 2003 was 44,761,698

=====

ASIAINFO HOLDINGS, INC.

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2003  
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited) .....	3
a) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2002 and 2003 .....	3
b) Condensed Consolidated Balance Sheets as of December 31, 2002 and September 30, 2003 .....	5
c) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2003 .....	6
d) Notes to Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2002 and 2003 .....	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations .....	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk .....	41
Item 4. Controls and Procedures .....	41
PART II. OTHER INFORMATION .....	41
Item 1. Legal Proceedings .....	41
Item 2. Changes in Securities and Use of Proceeds .....	42
Item 5. Other Information .....	43
Item 6. Exhibits and Reports on Form 8-K .....	43

SIGNATURE

CERTIFICATIONS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASIAINFO HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)  
(In US Dollars thousands, except per share amounts)

Three Months Ended

-----  
2002  
-----

(unaudi

## Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

Revenues:	
Network solutions.....	23,171
Software revenue.....	9,400
	-----
Total revenues.....	32,571
	-----
Cost of revenues:	
Network solutions.....	20,019
Software revenue.....	4,052
	-----
Total cost of revenues.....	24,071
	-----
Gross profit.....	8,500
	-----
Operating expenses:	
Sales and marketing (excluding stock-based compensation: 2002: \$31; 2003: nil and amortization of acquired intangible assets: 2002: \$238; 2003: nil).....	3,082
General and administrative (excluding stock-based compensation: 2002: \$41; 2003: nil and amortization of acquired intangible assets: 2002: \$147; 2003: \$41).....	2,719
Research and development (excluding stock-based compensation: 2002: \$10; 2003: nil and amortization of acquired intangible assets: 2002: \$92; 2003:nil).....	2,097
Amortization of deferred stock compensation.....	82
Amortization of acquired intangible assets.....	477
	-----
Total operating expenses.....	8,457
	-----
Income from operations.....	43
	-----
Other income (expense):	
Interest income.....	523
Interest expense.....	(1)
Other income (expense), net.....	6
	-----
Total other income, net.....	528
	-----
Income before income taxes, minority interests and equity in loss of affiliate.....	571
Income tax expense .....	74
	-----
Income before minority interests.....	497
Minority interests in income of consolidated subsidiaries.....	73
Equity in loss of affiliate.....	(102)
	-----
Net income .....	\$ 468
	-----
Net income per share:	
Basic.....	\$ 0.01
	-----
Diluted.....	\$ 0.01
	-----
Shares used in computation:	
Basic.....	44,081,170
	-----
Diluted.....	44,835,907
	-----

See notes to condensed consolidated financial statements.

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

3

ASIAINFO HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)  
 (In US Dollars thousands, except per share amounts)

	Nine Months Ended
	----- 2002 ----- (unaudited)
Revenues:	
Network solutions .....	71,900
Software revenue .....	25,767
	-----
Total revenues .....	97,667
	-----
Cost of revenues:	
Network solutions .....	55,835
Software revenue .....	9,006
	-----
Total cost of revenues .....	64,841
	-----
Gross profit .....	32,826
	-----
Operating expenses:	
Sales and marketing (excluding stock-based compensation: 2002: \$66; 2003: \$43 and amortization of acquired intangible assets: 2002: \$513; 2003: \$6) .....	11,460
General and administrative (excluding stock-based compensation: 2002: \$206; 2003: \$51 and amortization of acquired intangible assets: 2002: \$515; 2003: \$122) .....	7,736
Research and development (excluding stock-based compensation: 2002: \$60; 2003: \$11 and amortization of acquired intangible assets: 2002: \$244; 2003: nil) .....	6,706
Amortization of deferred stock compensation .....	332
In-process research and development .....	350
Impairment of goodwill and acquired intangible assets .....	--
Amortization of acquired intangible assets .....	1,272
	-----
Total operating expenses .....	27,856
	-----
Income (loss) from operations .....	4,970
	-----
Other income (expense):	
Interest income .....	1,757
Interest expense .....	(75)
Other income (expense), net .....	43
	-----
Total other income, net .....	1,725
	-----
Income (loss) before income taxes, minority interests and equity in loss of affiliate .....	6,695
Income tax expense (benefit) .....	870
	-----
Income (loss) before minority interests .....	5,825
Minority interests in income (loss) of consolidated subsidiaries .....	63

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

Equity in loss of affiliate .....	(383)
	-----
Net income (loss) .....	\$ 5,505
	=====
Net income (loss) per share:	
Basic .....	\$ 0.13
	=====
Diluted .....	\$ 0.12
	=====
Shares used in computation:	
Basic .....	43,387,643
	=====
Diluted .....	45,765,340
	=====

See notes to condensed consolidated financial statements.

4

ASIAINFO HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)  
(In US Dollars thousands, except per share amounts)

	December 31,
	-----
	2002 (1)
	-----
ASSETS	
Current Assets:	
Cash and cash equivalents .....	\$ 115,153
Restricted cash .....	14,458
Short-term investments .....	11,260
Notes receivable .....	64
Accounts receivable, trade (net of allowance for doubtful accounts of \$1,133 and \$3,367 at December 31, 2002 and September 30, 2003, respectively) .....	49,373
Inventories .....	10,934
Other receivables .....	8,758
Deferred income taxes - current .....	1,653
Prepaid expenses and other current assets .....	3,441
	-----
Total current assets .....	215,094
Property and equipment - net .....	4,046
Goodwill .....	37,255
Other acquired intangibles - net .....	4,031
Investment in affiliate .....	2,808
Deferred income taxes .....	196
	-----
Total Assets .....	\$ 263,430
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Short-term bank loans .....	\$ 60
Notes payable .....	2,447

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

Accounts payable .....	19,261
Other payables .....	2,483
Deferred revenue .....	5,056
Accrued employee benefits .....	5,083
Other accrued expenses .....	13,226
Income taxes payable .....	2,760
Other taxes payable .....	2,579
	-----
Total current liabilities .....	52,955
Minority interest .....	317
	-----
Stockholders' Equity:	
Common stock, 100,000,000 shares authorized, \$0.01 par value, shares issued and outstanding: 2002: 44,193,474; 2003: 44,711,045 .....	442
Additional paid-in capital .....	200,649
Deferred stock compensation .....	(105)
Retained earnings (accumulated deficit) .....	9,110
Accumulated other comprehensive income .....	62
	-----
Total stockholders' equity .....	210,158
	-----
Total Liabilities and Stockholders' Equity .....	\$ 263,430
	=====

-----