

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

ASIAINFO HOLDINGS INC  
Form 10-Q  
November 14, 2003

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

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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

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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)

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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

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ASIAINFO HOLDINGS, INC.

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FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2003  
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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  
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(unaudi

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|   |            |
|---|------------|
| 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;<br>2003: nil and amortization of acquired intangible assets: 2002: \$238;<br>2003: nil).....         | 3,082      |
| General and administrative (excluding stock-based compensation: 2002:<br>\$41; 2003: nil and amortization of acquired intangible assets: 2002:<br>\$147; 2003: \$41)..... | 2,719      |
| Research and development (excluding stock-based compensation: 2002: \$10;<br>2003: nil and amortization of acquired intangible assets: 2002: \$92;<br>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<br>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.

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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;<br>2003: \$43 and amortization of acquired intangible assets: 2002: \$513;<br>2003: \$6) .....           | 11,460            |
| General and administrative (excluding stock-based compensation: 2002:<br>\$206; 2003: \$51 and amortization of acquired intangible assets: 2002:<br>\$515; 2003: \$122) ..... | 7,736             |
| Research and development (excluding stock-based compensation: 2002: \$60;<br>2003: \$11 and amortization of acquired intangible assets: 2002: \$244;<br>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<br>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                |

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|                                   |            |
|-----------------------------------|------------|
| 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.

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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<br>\$1,133 and \$3,367 at December 31, 2002 and September 30, 2003,<br>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        |

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|   |            |
|---|------------|
| 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<br>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 |
|   | =====      |

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