I am pleased to present to our shareholders the annual report of Sino InfoTech Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2000.

REVIEW OF OPERATIONS AND PROSPECTS

During the year ended 31 December 2000, the Group achieved a turnover of approximately HK$195,635,000, representing an increase of more than 100% compared to that of the previous year. The Group has reduced the loss from operating activities from approximately HK$81,536,000 in the previous year to approximately HK$20,607,000, representing a reduction of approximately 75%. The decrease in loss from operating activities was contributed to the increase in the Group's turnover and gross margin on sales coupled with continued expense reduction. The Group's administrative and other operating expenses were maintained at similar levels as those of the previous year despite the more than doubled turnover this year. The Group has recorded an attributable loss to shareholders of approximately HK$13,985,000 this year (1999: HK$72,357,000). This included a provision for impairment in value of goodwill on acquisition of interest in an associate, Shenzhen SED Telecommunication Technology Co., Ltd., of approximately HK$14,044,000.

The Group's turnover in the PRC and European markets increased by approximately one and six times, respectively, as compared to those of the previous year. These increases primarily reflected expansion of our sales networks in the PRC and European markets during the year. This was a difficult year for the Group due to price competition especially in the PRC market during the second half of 2000 resulting in an operating loss this year.

However, we are cautiously optimistic that the Group will achieve better results in 2001. The Group will continue restructuring efforts and cost reductions to improve the performance of its major subsidiary, Prod-Art Company Limited. In addition, the Group will continue to search for investment opportunities focusing on information technology and new OEM products.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2000 (1999: Nil).

WU HOLDINGS LIMITED ("WU HOLDINGS")

The Group owns 28.84% of Wu Holdings, which in turn owns 56.2% (1999: 71%) of Qiao Xing Universal Telephone, Inc. ("Qiao Xing"). Wu Holdings's interest in Qiao Xing was diluted in 2000 as a consequence of the issuance of new shares by Qiao Xing in relation to placement and the exercise of options and warrants. Qiao Xing manufactures and sells telecommunication equipment in the PRC and its shares are listed on the U.S.A. based NASDAQ National Market (Symbol: XING).

The Group's share of net profit of Wu Holdings was approximately HK$20,995,000 this year as compared to approximately HK$10,218,000 in 1999.

Although competition in the PRC was keen, we believe Wu Holdings will continue to provide good financial returns for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were financed by internal sources and banking facilities (trust receipt loans). Cash deposits of approximately HK$6,305,000 and the Group's leasehold land and buildings in Hong Kong were pledged to a bank to secure banking facilities granted to a subsidiary of the Group. At 31 December 2000, these facilities were utilised to approximately HK$3,712,000 (1999: HK$5,178,000).

As at 31 December 2000, the Group's equity was approximately HK$131 million (1999: HK$129 million). The Group had no long-term debt as at 31 December 2000 (1999: Nil). The gearing ratio, which was computed by current liabilities over shareholders' equity, was improved from approximately 53% last year to approximately 36.4% as at 31 December 2000.

EMPLOYEES

As at 31 December 2000, the Group had approximately 1,200 (1999: 1,600) employees in Hong Kong and the PRC. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees. A share option scheme has been in effect since 1992 to provide an incentive for employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2000.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the year except that the independent non-executive Directors are not appointed for specific terms of office but are subject to retirement by rotation in accordance with the articles of association of the Company. The Company established an audit committee in 1998 in accordance with paragraph 14 of the Code of Best Practice.

CONCLUSION

On behalf of the Board of Directors, I would like to thank our management and staff for their hard work and our valued suppliers, customers and shareholders for their continued support.

YEH Shuen Ji
Chairman
Hong Kong, 19 July 2001