

SINO-I.COM LIMITED

This is an important year for the further transformation of the Group. We have successfully converted our business to the Financial Information and Business Application Services with solid market share in China. As a result of a series of corporate restructuring exercise, the Group has divested most of its property assets to its subsidiary, South Sea Holding Company Limited (formerly known as Learning Concepts Holdings Limited), the ordinary share capital of which is also listed on The Stock Exchange of Hong Kong Limited (stock code 680).

In August 2001, the Company has entered into an underwriting arrangement with its substantial shareholders for the placement of convertible notes to improve the liquidity of the Group. The proceeds from the placement of those new convertible notes will be used to settle debts and to finance some potential investments. Since the Company shall have the right to demand the holders of convertible notes to convert such notes into shares, the conversion of the notes will further improve the financial situation and strengthen the capitalization base.

Over the past year, Hong Kong has experienced one of the most difficult economic downturns in history. After an economic boom chiefly caused by the Internet and technology fever, the world economy quickly sank into a slow-down. Even though the US Federal Reserve has lowered its interest rate by 7 times since the beginning of the year, the world economy has not shown any sign of recovery yet. It is anticipated that the general economy will remain sluggish throughout the year and Hong Kong does not seem to have anything better than this trend. Among most of the industries that are affected by this current trend, the technology and telecommunication sectors seem to have the worst hit.

In view of this slow-down, the Group will adopt very conservative financial strategy. Our focus will be the continuous strengthening of our operation efficiency and of the profitability of our key subsidiaries. Part of this strategy includes the refinancing some of our short-term debts by means of longer-term facility or other general fund raising arrangements, such as placement of shares and/or convertible notes etc.

Despite the downturn in the technology and telecommunication sectors worldwide, our strategy in China has successfully implemented with distinctive result. The Group built an extensive network of more than 29 offices and 1,700 well trained employees supporting more than 20,000 corporate clients all over China. Such achievement is due to the strength of the Group in technology, marketing, and most important of all, the pragmatic approach of our management, even at a time when the market was over optimistic with anything that relates to technology. The Group will continue to adopt such pragmatic approach in the expansion of our market share and focus on the operation efficiency and enhancement of the profitability of the Company's subsidiaries in China.

The main business and operating arms of the Group are two main subsidiaries, namely Beijing Shihua Financial Information Services Limited and China Enterprise ASP Limited which generated a profit of about RMB28 millions and RMB20 millions respectively in the financial year ended 31 December 2000 as stated in the PRC audited reports. The Group is highly confident that these two companies will continue to grow in high speed in the next few years and consolidate its leadership position in their respective markets.

CHINA ENTERPRISE ASP LIMITED ("CE")

CE is an application service provider to small-to-medium sized enterprises ("SMEs") in China through its 19 offices, mostly located in the coastal provinces. Its services are mainly the provision of web solution to enterprises, including web hosting, email solution, server hosting services, and other e-commerce solution. In addition, it is also expanding to cover additional management application services. CE has been focusing to expand its marketing network to meet clients' needs. As a result, it has become the largest B2B services provider in China. CE intends to continue to expand its operation network and product range to better serve its clients.

BEIJING SHIHUA FINANCIAL INFORMATION SERVICES LIMITED ("SHIHUA")

Shihua is a financial information service provider for the securities industry in China. It was established in 1994 and has been the leading information provider in the Futures market for the last six years with more than 80% market share. Shihua is also expanding rapidly into the stock market, and the launch of a new information platform with the most advanced technology in September 2001 is highly expected to provide us a significant return from this sector. The new platform provides services not only in the futures and stock market, but also in the foreign exchange market. This platform will also be the first one providing Hong Kong real time stock quote in China. The initial marketing of these products has generated enthusiastic responds from the industry.

SOUTH SEA HOLDING COMPANY LIMITED ("SOUTH SEA")

In September 2000, the Group acquired South Sea, a company listed on The Stock Exchange of Hong Kong Limited. It was formerly known as Learning Concepts Holdings Limited and was a consumer electronic manufacturer specializing in electronic learning aids and OEM products. After the acquisition and with further evaluation, the Company decided to restructure the South Sea's financial and business strategies. As a result, South Sea group has entered into agreements with its bankers and creditors to eliminate its short-term liabilities and most of the indebtedness. Moreover, most of the property development assets of the Group have been injected into South Sea. The Group is confident that upon the completion of this restructuring, South Sea is well positioned to capitalize on the newly injected property assets and the manufacturing division, which in turn will lead to improving its financial position.

OTHER BUSINESSES

The Group has investments in the learning and knowledge based industry in China, including a 80% owned subsidiary, Beijing Chinese Dadi Distance Education Company Limited that provides online learning facilities for students who are pursuing self-study for degrees. Although the initial launch of this product has not achieved the expected result, the launch of online language courses and business management programs catering the demand is ready. The Group believes these additional products will create more positive result for this subsidiary.

The Group is also working closely with a few companies in China in various online publications, marketing and advertising support for its printing version. It is anticipated that some of these cooperation will provide the Group an effective access to the lucrative printed media market in China. With the continuous liberalization of the media industry, the Group believes its management is ready to participate in this market with rewarding result.

PROSPECT

The Group believes the Greater China market will continue to provide significant opportunities for the expansion of our various subsidiaries. Our team of engineers and scientists are the foundation of our technical capability while the professional sales and services personnel are the backbone of our businesses. The Group will continue to strive for excellence with these two pillars and make sure our growth is consistent with the market. The management deeply believes the current success of our operations in China will continue and our profit will keep on growing in the few years ahead.

Yu Pun Hoi
Chairman

Hong Kong, 27 August, 2001