



SINO INFOTECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2001 Interim Report

Unaudited Interim Results

The board of directors (the "Board") of Sino InfoTech Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 together with the comparative figures for the corresponding period in 2000 as follows:

Condensed Consolidated Profit and Loss Account

	Notes	For the six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited, restated) HK\$'000
Turnover	3	42,889	80,063
Cost of sales		<u>(47,637)</u>	<u>(58,994)</u>
Gross profit/(loss)		(4,748)	21,069
Other revenue		603	716
Selling and distribution costs		(4,990)	(6,082)
Administrative expenses		(13,760)	(13,839)
Other operating expenses		<u>(812)</u>	<u>(1,078)</u>
Profit/(loss) from operating activities	3, 4	(23,707)	786
Finance costs	5	(162)	(157)
Share of profits less losses of associates		<u>2,829</u>	<u>6,257</u>
Profit/(loss) before tax		(21,040)	6,886
Tax	6	<u>(1,182)</u>	<u>(2,489)</u>
Net profit/(loss) from ordinary activities attributable to shareholders		<u>(22,222)</u>	<u>4,397</u>
Interim dividend		<u>—</u>	<u>—</u>
Earnings/(loss) per share	7		
– Basic		<u>(2.41 cents)</u>	<u>0.49 cents</u>

Condensed Consolidated Statement of Recognised Gains and Losses

		For the six months ended 30 June	
		2001 (Unaudited)	2000 (Unaudited, restated)
	Notes	HK\$'000	HK\$'000
Share of movements in reserves of an associate	11	(308)	–
Net profit/(loss) attributable to shareholders			
– current period/prior period as previously reported		(22,222)	4,843
– effect of retrospective change in accounting policy		–	(446)
		<u>(22,222)</u>	<u>4,397</u>
Net profit/(loss) for the period attributable to shareholders		<u>(22,222)</u>	<u>4,397</u>
Total recognised gains and losses related to the current period		<u>(22,530)</u>	<u>4,397</u>
Note on prior period adjustments	2		
Total recognised gains and losses related to the current period as above		(22,530)	
Prior period adjustment			
– given effect as to restatement of the profit and loss account for the year ended 31 December 2000		(893)	
– given effect as to restatement of the retained profits brought forward at 1 January 2000		(1,786)	
		<u>(2,679)</u>	
Total recognised gains and losses since the last annual report		<u>(25,209)</u>	

Condensed Consolidated Balance Sheet

		(Unaudited)	(Audited, restated)
		As at	As at
		30 June	31 December
		2001	2000
Notes		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
		42,338	43,442
		74,561	73,222
		5,804	6,250
		<u>122,703</u>	<u>122,914</u>
CURRENT ASSETS			
		2,919	2,164
		16,083	35,596
	8	3,347	6,371
		2,523	3,274
		6,235	6,305
		18,001	8,895
		<u>49,108</u>	<u>62,605</u>
CURRENT LIABILITIES			
	9	12,781	21,515
		28,112	22,532
		4,187	3,712
		<u>45,080</u>	<u>47,759</u>
NET CURRENT ASSETS			
		<u>4,028</u>	<u>14,846</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES			
		126,731	137,760
MINORITY INTERESTS			
		300	300
		<u>126,431</u>	<u>137,460</u>
CAPITAL AND RESERVES			
	10	100,453	90,408
	11	25,978	47,052
		<u>126,431</u>	<u>137,460</u>

Condensed Consolidated Cash Flow Statement

(Unaudited)
For the six months
ended 30 June 2001
HK\$'000

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,744)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	40
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(1,236)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(2,940)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>11,501</u>
INCREASE IN CASH AND CASH EQUIVALENTS	8,561
Cash and cash equivalents at the beginning of period	<u>11,488</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>20,049</u></u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	18,001
Pledged deposits	6,235
Trust receipt loans	<u>(4,187)</u>
	<u><u>20,049</u></u>

Notes To Condensed Consolidated Financial Statements

1. Accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No.25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that the comparative figures of the Condensed Consolidated Cash Flow Statement have not been presented as the Company has taken advantage of the transitional provisions set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and basis of preparation adopted are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following the adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

- SSAP 28: Provisions, contingent liabilities and contingent assets
- SSAP 30: Business combinations
- SSAP 31: Impairment of assets
- SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries

With the exception of SSAP 30, the adoption of the above standards has had no material effect on amounts reported in prior years. The prior period adjustments arising from the adoption of SSAP 30 is detailed in note 2 below.

Comparative amounts in respect to the Condensed Consolidated Balance Sheet for the year ended 31 December 2000 are extracted from the Group’s annual financial statements for that year and adjusted for the prior period adjustments as further explained in note 2 below.

2. Prior period adjustments

Goodwill represents the excess of cost of an acquisition over the fair value of the Group’s share of the net assets of the acquired associate at the date of acquisition. In previous years, goodwill was eliminated against reserves in the year in which it arose. Following the introduction of SSAP 30, goodwill arising on acquisition on or after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account over its estimated useful economic life.

The Group has elected to apply SSAP 30 retrospectively in respect of the goodwill arising on acquisition before 1 January 2001, which has been capitalised in the balance sheet and amortised to the profit and loss account over the estimated useful economic life not exceeding ten years since the date of acquisition.

In restating the financial statements for 2000 on the basis of the new accounting policy, goodwill of HK\$8,929,000 has been restated in the balance sheet as at 31 December 2000 and the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2000 has decreased by approximately HK\$446,000 as a result of the amortisation of the goodwill for the period. The cumulative effect on prior periods for goodwill amortisation was a decrease in the retained profits at 1 January 2000 by approximately HK\$1,786,000.

Notes To Condensed Consolidated Financial Statements (Continued)

3. Segmental information

The Group's turnover have been derived principally from the design, manufacture and marketing of a wide range of electronic consumer products, including pagers, calculators and electronic toys.

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by geographical area of operations is as follows:

Turnover

	(Unaudited)	
	For the six months	
	ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC"),		
excluding Hong Kong	7,965	40,024
Hong Kong and Far East	6,637	3,261
North America	10,625	23,731
Europe	17,662	13,047
	<u>42,889</u>	<u>80,063</u>

Contribution to profit/(loss) from operating activities

	(Unaudited)	
	For the six months	
	ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
The PRC, excluding Hong Kong	(11,384)	(1,581)
Hong Kong and Far East	(2,879)	(110)
North America	(5,753)	1,864
Europe	(3,691)	613
	<u>(23,707)</u>	<u>786</u>

Notes To Condensed Consolidated Financial Statements (Continued)**4. Profit/(loss) from operating activities**

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	(Unaudited) For the six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Depreciation	2,340	2,970
Provision for trade receivables	1,103	–
Unrealised holding loss/(gain) on short term investments	(754)	632
Amortisation of goodwill	446	446
Gain on winding up of an associate	–	(91)
Interest income	(202)	(177)
	<u> </u>	<u> </u>

5. Finance costs

	(Unaudited) For the six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	162	157
	<u> </u>	<u> </u>

6. Tax

	(Unaudited) For the six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries:		
Underprovision in prior years	–	22
Share of tax of associates	1,182	2,467
	<u> </u>	<u> </u>
Tax charge for the period	1,182	2,489
	<u> </u>	<u> </u>

No provision for Hong Kong profits tax has been made for the current period (2000: Nil) because the Group did not have any assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes To Condensed Consolidated Financial Statements (Continued)

7. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the net loss attributable to the shareholders for the period of approximately HK\$22,222,000 (2000: profit of HK\$4,397,000) and the weighted average of 922,389,594 (2000: 904,073,418) ordinary shares in issue during the period.

The diluted loss per share for the period ended 30 June 2001 has not been presented as the effects arising from the exercise of the Company's share options would have been anti-dilutive.

8. Trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	(Unaudited)		(Audited)	
	As at		As at	
	30 June		31 December	
	2001		2000	
	HK\$'000	Percentage	HK\$'000	Percentage
Within two months	3,309	34	4,619	39
Within two to four months	1,764	18	2,029	17
Within four months to one year	402	4	1,931	17
Over one year	4,333	44	3,150	27
	<u>9,808</u>	<u>100</u>	<u>11,729</u>	<u>100</u>
Less: Provision	(6,461)		(5,358)	
Total after provision	<u>3,347</u>		<u>6,371</u>	

The normal credit period granted by the Group is within two months from the date of recognition of the sale.

9. Trade and bills payables

The ageing analysis of the Group's trade and bills payables is as follows:

	(Unaudited)		(Audited)	
	As at		As at	
	30 June		31 December	
	2001		2000	
	HK\$'000	Percentage	HK\$'000	Percentage
Within two months	2,390	19	10,269	48
Within two to four months	4,040	32	7,835	36
Within four months to one year	4,907	38	1,978	9
Over one year	1,444	11	1,433	7
	<u>12,781</u>	<u>100</u>	<u>21,515</u>	<u>100</u>

Notes To Condensed Consolidated Financial Statements (Continued)**10. Share capital**

	(Unaudited) As at 30 June 2001 HK'000
Authorised:	
3,000,000,000 ordinary shares of HK\$0.10 each	300,000
Issued and fully paid:	
1,004,527,778 ordinary shares of HK\$0.10 each	100,453

A summary of the movement in the Company's ordinary share capital during the period is as follows:

	Number of shares in issue	(Unaudited) Nominal value of shares in issue HK\$'000
At 1 January 2001	904,075,000	90,408
Issue of shares	100,452,778	10,045
At 30 June 2001	1,004,527,778	100,453

On 19 March 2001, the Company entered into a subscription agreement with United Home Limited, a shareholder of the Company, pursuant to which United Home Limited agreed to subscribe in cash for a total of 100,452,778 new shares at a subscription price of HK\$0.11835 for each new share. The Company allotted its shares to United Home Limited on 29 May 2001, resulting in the issue of 100,452,778 shares of HK\$0.10 each for a total consideration of approximately HK\$11.9 million.

Notes To Condensed Consolidated Financial Statements (Continued)

10. Share capital (Continued)

Share options

Details of the share options granted during the period and the movements in the number of share options outstanding under the share option scheme of the Company adopted on 3 December 1992 are as follows:

Date of grant	Exercise Price HK\$	Exercisable period	Balance in issue at 1 January 2001	Number of share options granted during the period	Balance in issue at 30 June 2001
31 August 1999	0.225	31 August 2000 to 30 August 2004	6,400,000	–	6,400,000
9 May 2000	0.316	15 May 2001 to 8 May 2005	800,000	–	800,000
22 January 2001	0.128	29 January 2002 to 21 January 2006	–	5,284,000	5,284,000
16 March 2001	0.104	27 March 2002 to 15 March 2006	–	1,000,000	1,000,000
			7,200,000	6,284,000	13,484,000
			7,200,000	6,284,000	13,484,000

11. Reserves

Movements of reserves during the period are as follows:

	(Unaudited) Share premium HK\$'000	(Unaudited) Capital reserves# HK\$'000	(Unaudited) Reserve on consolidation HK\$'000	(Unaudited) Exchange translation reserve HK\$'000	(Unaudited) Retained profits/ (accumulated losses) HK\$'000	(Unaudited) Total HK\$'000
At 1 January 2001						
as previously reported	296,555	21,977	(8,929)	485	(269,286)	40,802
Prior period adjustment	–	–	8,929	–	(2,679)	6,250
	296,555	21,977	–	485	(271,965)	47,052
At 1 January 2001, as restated	296,555	21,977	–	485	(271,965)	47,052
Net loss for the period	–	–	–	–	(22,222)	(22,222)
Share of movements in reserves of an associate	–	–	–	(308)	–	(308)
Issue of shares	1,843	–	–	–	–	1,843
Share issue expenses	(387)	–	–	–	–	(387)
	298,011	21,977	–	177	(294,187)	25,978
At 30 June 2001	298,011	21,977	–	177	(294,187)	25,978

Capital reserves represent the non-distributable reserves of an associate.

Notes To Condensed Consolidated Financial Statements (Continued)

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2001 (2000: Nil).

Business Review and Prospects

During the six months ended 30 June 2001 the Group only achieved a turnover of approximately HK\$42,889,000, representing a decrease of approximately 46% compared to that of the corresponding period in 2000. The Group has recorded an attributable loss to shareholders of approximately HK\$22,222,000 compared with a profit of approximately HK\$4,397,000 in the corresponding period. The significant drop in turnover was due to the sluggish demand of our products in the PRC and North America markets.

During the period under review, sales to the PRC represented approximately 18.5% of the Group's turnover and a decrease of approximately HK\$32,059,000 or 80% over the corresponding period. Sales to North America contributed approximately 24.8% to the Group's turnover and represented a decrease of approximately HK\$13,106,000 or 55% over the same period last year. The remaining balance of turnover represented sales to European and Far East Asian markets, which accounted for approximately 41.2% and 15.5% respectively.

To prepare for the challenges ahead, management has continued to reduce costs and has scaled down our sales operation in the PRC. Management is continuing to maintain prudent financial control over all aspects of operations with a view to enhance our competitiveness. We intend to further reduce our costs, seek new investment opportunities in the information technology sector, concentrate our efforts in promising markets and explore new OEM products in 2001.

Wu Holdings Limited ("Wu Holdings")

The Group owns 28.84% of Wu Holdings, which in turn owns 56.2% of Qiao Xing Universal Telephone, Inc. ("Qiao Xing") which shares are listed on the USA based NASDAQ National Market. Qiao Xing manufactures and sells telecommunication equipment, including cord and cordless telephone sets, in the PRC. The Group's share of net profit of Wu Holdings was approximately HK\$1,647,000 for this period as compared to approximately HK\$3,790,000 in corresponding period last year. The Board is optimistic that Wu Holdings will continue to be a rewarding investment to the Group.

Liquidity and Financial Resources

The Group's daily operation activities were financed by internal sources and banking facilities (trust receipt loans). Cash deposits of approximately HK\$6,235,000 and the leasehold land and buildings in Hong Kong were pledged to a bank to secure banking facilities granted to a subsidiary of the Group. As at 30 June 2001, such facilities were utilised to approximately HK\$4,187,000.

On 29 May 2001, the Company placed and allotted 100,452,778 shares to United Home Limited for cash. The net proceed from the placement was approximately HK\$11.5 million and was used as working capital of the Group.

As at 30 June 2001, the Group's equity was approximately HK\$126 million as compared to approximately HK\$137 million as of 31 December 2000. The Group had no long-term debt as at 30 June 2001 and 31 December 2000. The gearing ratio, which was computed by current liabilities over shareholders' fund, was 35.6% as compared to 34.7% as at 31 December 2000.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars or China Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group does not engage in interest rate or foreign currency speculative activities.

Employees

At as 30 June 2001, the Group had approximately 1,100 employees in Hong Kong and the PRC. Salaries, bonus and benefits were decided in accordance with the market condition and performance of the respective employees. A share option scheme had been adopted in 1992 to provide incentive for employees. Following the adoption of the Mandatory Provident Fund ("MPF") Scheme in December 2000, the Group's directors and employees in Hong Kong joined the MPF Scheme.

Directors' Interests in Shares

As at 30 June 2001, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares held and nature of interest		
	Personal	Family	Total
Mr. XU Xiaolu	2,100,000	3,250,000	5,350,000

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by certain directors, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares and Debentures

As at 30 June 2001, the Company had the following outstanding share options granted to a director of the Company during the period:

Name of director	Date of grant	Exercise price per share <i>HK\$</i>	Exercise period	Number of share options
Mr. XU Xiaolu	22 January 2001	0.128	29 January 2002 to 21 January 2006	1,200,000

All of the above share options were granted pursuant to the Company's share option scheme. No options were exercised during the period.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2001, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders were directly or indirectly interested in 10% or more of the issued share capital of the Company:

Name	Number of ordinary shares held	Percentage of interest
United Home Limited	298,096,988	29.68%
Carlet Investments Ltd.	172,644,210	17.19%

The 172,644,210 shares of the Company were owned by Carlet Investments Ltd., which shares were indirectly owned by United Home Limited by virtue of its 68% interest in Carlet Investments Ltd. In addition to the 172,644,210 shares directly owned by Carlet Investments Ltd., 125,452,778 shares which represents 12.49% of the Company's shares in issue were directly owned by United Home Limited.

Save as disclosed above, the directors of the Company are not aware of any other person who, as at 30 June 2001, was, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company.

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 period.

Audit Committee

The Company established an audit committee in 1998 in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises one non-executive director, Mr. Jack William FLADER JR. and two independent non-executive directors, Mr. FU Fengxiang and Mr. YANG Lang. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2001.

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 Listing Rules, throughout the six months ended 30 June 2001, except that 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.

By Order of the Board
YEH Shuen Ji
Chairman

Hong Kong, 20 September 2001