

**CHINA INFONET (HOLDINGS) LTD :
IT HAS LITTLE TO NO CHANCE OF SUCCESS**

About the only real claim to fame that may be made by the Honorary Chairman of China Infonet (Holdings) Ltd, Mr Thomas Lau Luen Hung, is that relating to his personal life -- and an alleged vicious temper (according to certain reports).

But, then again, that could be said about a great number of Hongkong dollar, multi millionaires, residing in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), could it?

Mr Thomas Lau was, however, awarded the coveted medal as a member of the *'Hongkong I.T. Top Ten Achievers 1999-2000'*.

This much-publicised award was given by a *'local'* (note that the paper is unnamed) *newspaper in March 2000*, the Prospectus of China Infonet states at Page 79.

(TARGET is not quite certain whether this award is equal to, or more important than, the prizes, handed out to individuals for outstanding achievements by the Nobel Foundation)

Mr Thomas Lau Luen Hung is named as being one of the Founders of China Infonet and, currently, holds the position of honorary head honcho of the Internet company, which was supposed to have gone public on The Stock Exchange of Hongkong Ltd.

However, on April 11, it was announced that the flotation had been a flop, and that all the subscription moneys had to be returned.

China Infonet is a company which first saw the light of day in October 1995 when Messrs Thomas Lau, Tjia Boen Sien and Wong Ka Fu got together with a view to cashing in on a relatively new and emerging business, with seeming shiny red apples, ready to be picked off the trees of the Internet.

The Company describes itself, today, as being *'an Internet content provider (known in the parlance as an 'ICP') principally engaged in the provision of Chinese Internet content with a focus on business intelligence information to the Chinese reading population worldwide. The Directors believe that the Group is currently one of the largest Chinese content providers with a database of over 3.7 million business reports and articles, or over 4.0 billion Chinese characters, and other information including charts and statistics. The database, which is edited and processed through the Beijing Data Center, an exclusive data processing agent of the Group, is growing at the rate of approximately 3.6 million Chinese characters each day.'*

One may, mistakenly, think that the Beijing Data Center is owned, or controlled by, China Infonet, but it is not. The Prospectus of this Company makes this very clear at Pages 55 through Page 57.

Beijing Data Center was established in the PRC in the mid-1990s by Messrs Yan Xiao Han and Zhang Ping. It is, today, owned by Mr Yan Xiao Han and Mr Zhang Dan, both of whom are not connected with China Infonet.

Further, there appears to be no connection, at all, between Messrs Yan Xiao Han and Zhang Dan, directly or indirectly, and Chairman Thomas Lau's little ICP company, which is, now, seeking to raise nearly \$HK600 million, gross, by Offering 40 million, 10-cent shares at a Premium of between \$HK1.08 per share and \$HK1.38 per share, and, at the same time, China Infonet is Placing a further 360 million shares on the same terms.

Beijing Data Center, being an enterprise, which is not owned or controlled by China Infonet, has licensed the use of its data to China Infonet.

The Prospectus, at Page 57, states: *'For the two years ended 31st March, 1999 and the nine months ended 31st December, 1999, data processing fee paid to Beijing Data Center amounted to approximately 12.3%, 10.0% and 16.9% of the Group's total operating expenses respectively.'*

The penny should drop at this point: China Infonet has put all its control eggs into one basket -- that of Beijing Data Center.

In the event that there was an argument, for any reason, between China Infonet and Messrs Yan Xiao Han and/or Zhang Dan, all Hell could break loose -- and the loser would be China Infonet, to be sure.

As it is, on April 18, 1998, China Infonet paid about \$HK5.70 million to Beijing Data Center in order to purchase the copyright of all information, collected, processed, stored and owned by Beijing Data Center.

There is, today, no determination date of the business dealings between Beijing Data Center and China Infonet.

The Financials

As one has become accustomed to seeing new companies, coming to the marketplace for cash, showing losses, China Infonet has followed the tried-and-true method -- showing Accumulated Losses of about \$HK25.41 million, during the past 33 months.

The following is taken, directly, from Page 119 of the Company's Prospectus:

	Year Ended March 31		
	1998	1999	Nine Months to December 31, 1999
	<i>(All Figures Are Denominated in \$HK'000)</i>		
Turnover	683	2,468	1,985
Other Revenue	87	210	100
Data Processing Costs	(780)	(1,546)	(1,529)
Data and Content Acquisition Costs	(46)	(5,860)	(432)
Marketing and Promotion Costs	(236)	(378)	(273)
Staff Costs	(2,265)	(3,129)	(2,825)
Rent and Rates	(480)	(1,185)	(544)
Depreciation	(331)	(714)	(703)
Other Operating Expenses	(2,179)	(2,378)	(2,645)
Loss from Operations	(5,547)	(12,512)	(6,866)

It does not take a genius to extrapolate from the above in order to come the conclusion that the Financial Year, ended March 31, 2000, sported the worst Results for this Company since its inception.

TARGET's calculation, strictly by annualising the first 9 months' Results, is that the Company should be able to turn in a Loss to Shareholders -- excluding the one-off cost of \$HK5.70 million, having already been paid to Beijing Data Center for copyright purchase rights in the 1999 Year, ended March 31, 1999 -- of about \$HK9.15 million.

For the Current Financial Year, ending March 31, 2001, things should be better for China Infonet -- because it should be able to earn some interest from banks on an estimated \$HK503 million, that figure, being the estimated Net Proceeds from this flotation.

The money, to be raised in this exercise, was intended to be used as follows:

1. \$HK132.50 million to be used to promote the website: www.chinainfobank.com;
2. \$HK120 million to be used to introduce new products;
3. \$HK20 million to be used to upgrade existing services and products;
4. \$HK80 million to be used to invest in strategic investments;
5. \$HK10 million to repay shareholders' loans; and,
6. \$HK140.50 million to be used as General Working Capital.

With regard to the fifth mentioned item, the \$HK10-million to be used to repay shareholders' loans, it is stated at Page 93 of the Prospectus that:

'As at the close of business on 29th February, 2000, being the latest practicable date for the indebtedness statement prior to the printing of this prospectus, the Group had unsecured loans from shareholders of HK\$8,640,000 and an unsecured loan from a director of \$HK500,000.

'As at the close of business on 29th February, 2000, the Group did not have any outstanding borrowings, loans, or finance lease or hire purchase payables apart from those disclosed above.'

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