XIN NET CORP
Form 10KSB
April 11, 2002

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SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

FOR THE YEAR ENDED DECEMBER 31, 2001

General Form for Registration of Securities of Small Business Issuers
Commission file number 0-26559

CIK No. 0001082603

XIN NET CORP.
(Exact name of registrant as specified in this charter)

Florida	330-751560
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

#950 - 789 West Pender Street, Vancouver, B.C. Canada V6C 1H2
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (604) 632-9638

Securities Registered to be Pursuant to Section 12(b) of the Act:

NONE

Securities Registered to be Pursuant to Section 12(g) of the Act

COMMON STOCK $.001 PAR VALUE

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 the filing requirements for at least the past 90 days.

Yes X   No

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

State issuer's revenues for its most recent fiscal year: $3,567,571

Transitional Small Business Disclosure Format:

Yes _____ No X _____

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2001: $4,935,978.

Number of outstanding shares of the registrant's no par value common stock, as of December 31, 2001: 21,360,010.

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PART I

ITEM 1. BUSINESS

(a) General Description and Development of Business.

PREVIOUS HISTORY

On September 6, 1996, Xin Net Corp. was incorporated under the laws of the State of Florida under the name of Placer Technologies, Inc. It conducted a small public offering of 200,000 shares @ $.25 per share to achieve $50,000 in capital. In December 1996 a Rule 15c2-11 filing resulted in trading approval on the OTCBB.

The Company's initial primary service consisted of developing web home pages for small businesses in USA. It generated minimal revenues in 1996.

On April 2, 1997, the Company acquired 100% interest of Infornet Investment Limited ("Infornet"), a Hong Kong corporation. In August 1997 Infornet entered into a joint venture agreement with Xin Hai Technology Development Ltd., ("Xin Hai"), Xin Hai is an experienced internet-related services provider which owns and operates internet business licenses in the cities of Beijing, Chengdu, Guangzhou, Nanjing, Shanghai and Shenyang, China.

On June 11, 1997, the Company purchased 100% interest of Infornet Investment Corp., a British Columbia corporation. Infornet Investment Corp. is the subsidiary which manages daily operations of the Company.

On July 24, 1998, the Company changed its name from Placer Technologies, Inc. to Xin Net Corp. in order to reflect the core business more accurately.

CORPORATE OVERVIEW

Xin Net Corp.'s structure showing its subsidiaries is as follows, with the jurisdiction of incorporation of each subsidiary included in parentheses:

Xin Net Corp.
(Florida, USA)

Infornet Investment Corp. (100% Owned) (BC., Canada)	Infornet Investment Ltd. (100% Owned) (Hong Kong)
	Xin Net Telecom Corp. Ltd. (Formerly Placer Technologies Corp.) (Joint venture, Beijing, China with Xin Hai)

The Company also incorporated Xinbiz Corp. (British Virgin Islands) on January 14, 2000 and its subsidiary Xinbiz Ltd. (Hong Kong) on March 10, 2000. Both of these companies are wholly owned subsidiaries. Xinbiz Corp.and Xinbiz

Ltd. do not have any operations.

The Company's primary focus is to be an internet service company in the PRC (People's Republic of China), through its joint venture with Xin Hai. The joint venture company is called Xin Net Telecom Corp. Ltd (formerly called Placer Technologies Corp.) and is often referred to as the "joint venture", "Placer" or "Placer joint venture" in this report. Hence Xin Net Telecom Corp., Placer Technologies Corp., Placer and Placer joint venture all refer to one and the same joint venture.

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Xin Net Corp. currently maintains an office at: #950 - 789 West Pender Street, Vancouver, B.C. Canada V6C 1H2 (telephone number is 1-604-632-9638). It also has an office, as part of the joint venture, in Beijing at Room 1858, New Century Office Tower, No. 6, Southern Road Capital Gym, Beijing 100044, China. Other Xin Hai/joint venture offices are in Guangzhou, Shanghai, Chengdu, Nanjing and Shenyang.

The Company decided in May 2001 to focus its business in China on domain name registration and web-hosting services, and to discontinue Internet access provision services as soon as practicable. On June 22, 2001 the Company entered into an agreement to sell its ISP assets to another company.

The core business is to act as a co-venturer to supply internet-related services in the PRC by covering the major cities through the joint venture with operating partner Xin Hai. Businesses include domain name registration, web design and web hosting, e-commerce solutions, internet advertising, and other value-added services.

Through Xin Net Corp.'s wholly owned subsidiary, Infornet Investment Ltd. (Hong Kong), the Company formed a joint venture with Xin Hai Technology Development Ltd. for upgrading telecommunication technology and services in the PRC. This has evolved into an internet-focused service provider and e-commerce solutions business. The Company's sole business is through the joint venture with Xin Hai and Xin Hai has no other business except the joint venture.

Xin Hai started its internet service in Beijing in 1997. It is currently a supplier of internet-related services in the PRC in the major cities of Beijing, Chengdu, Guangzhou, Shanghai, Nanjimg and Shenyang. Xin Hai management may in the future open offices in some other cities in the PRC.

The Placer joint venture with Xin Hai implements and develops software and computer network systems and provides capital for the Internet business owned and operated by Xin Hai. Through the subsidiary Infornet, the agreement with Xin Hai provides the Company with 100% profit participation in the Placer joint venture until the Company recoups its investment, at which time the profit share reverts to 20% to Xin Hai and 80% to the Company (through Infornet). In other words, a) before Xin Net Corp. has recouped its capital investment, 100% of the profits go to the Company, none to Xin Hai; and b) after Xin Net Corp. has recouped its invested capital, the Company will receive 80% of profits and 20% will go to Xin Hai. A different allocation of profits was originally agreed upon, but Infornet and Xin Hai subsequently amended the profit allocation. No profits were allocated either to Infornet or Xin Hai prior to the amendment.

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Revenues: Xin Hai contributes all revenues from its business to the Placer joint venture. Placer exclusively owns the revenues collected from all the services and activities of Xin Hai in its internet-related operations in the PRC. Xin Hai receives no revenues from business other than through the Placer joint venture with Infornet.

Customers: To this date, ChinaDNS has registered more than 600,000 domain names. Its web hosting business counts approximately 65,000 customers.

Xin Net Telecom Corp. Ltd., the Company's joint venture with Xin Hai, has obtained the approval of MOFTEC, China's Ministry of Foreign Trade and Economic Cooperation, and has a business license in the PRC.

We have entered into an Assets Transfer Agreement under which we have agreed to transfer all the assets of the ISP operations in China to Beijing Sino Soft Intel Information Technology, Ltd. of Beijing. The transfer includes all transferable permits, equipment, agency contracts, customers, accounts, employees and operations.

The price for the transfer of assets by us is $700,000 (USD) payable to us in Renminbi at the official exchange rate, as thus: $350,000 payable as a deposit upon signing with $350,000 to be paid upon receipt of shareholder approval of the asset transfer by our shareholders.

We have agreed to assign Logo, lines, numbers, locations and all accounts and assets and have agreed not to compete in China in the ISP business. No fixed debt is assumed by purchaser, but ongoing contracts for Internet access provision, etc. will be assumed by buyer.

JOINT VENTURE AGREEMENT

The Company operations in Xin Net Telecom Corp. Ltd. are defined in the "Operating Agreement of the Cooperative Joint Venture Contract". Xin Hai is contracted by the joint venture to conduct the day-to-day operations.

Under the joint venture agreements, Xin Hai is responsible for:

- coordinating with all existing customers and actively promoting sales and applications of the joint venture company's products, as well as supporting sales of goods and services of the joint venture company to customers;
- obtaining all required permits and authorizations (whether local, municipal, provincial, state or other) and registrations which may be required or

applicable to the constitution of the joint venture company including the preparation and submission of the necessary documents for the examination and approval authorities;
- securing and obtaining all necessary licenses, permits and authorizations from the administration which may be applicable or necessary to the business of the company;
- assisting the joint venture company in handling the applications for processing import customs declarations for the machinery and mechanical and electronic equipment to be used and arranging transportation and delivery within the Chinese territory;
- assisting the joint venture company in contracting for and obtaining all necessary infrastructure and utility facilities, such as water, electricity,

transportation, etc;

- according to applicable laws and regulations in the PRC assisting the joint venture company in applying for and obtaining a reduction or exemption of taxes, including local taxes, business tax, import or custom duties, sales taxes or other duties on material, equipment or other goods imported into the PRC for the purposes of the joint venture company, and in obtaining other preferential tax treatments for the joint venture company and the parties for the maximum available period;
- obtaining all necessary permits or authorization from the appropriate foreign exchange control bureaus confirming that Company subsidiary Infornet can have access to all required U.S. dollars or other foreign currency acceptable to it and that Infornet, can send profits from the joint venture and return of investment to the Company overseas;
- Xin Hai warrants that it will not cooperate with any party other than Company subsidiary, Infornet, with regard to the Company business;
- performing any other responsibilities as may be agreed upon by and between Parties.

The Company is responsible for:

- making the capital contribution to the joint venture company as contemplated in the joint venture agreements for capital and operations funds in accordance with the laws and regulations in the PRC;
- assisting Xin Hai in purchasing and/or leasing equipment, material, office supplies, transportation, communication lines from local or overseas suppliers;
- within the PRC territory, the Company warrants that it will not cooperate with any other party than XIN HAI for the business specified in this agreement.

Xin Net Telecom Corp. Ltd., the joint venture, owns all revenues collected by Xin Hai from customers. All revenues are deposited by Xin Hai into a bank account in the name of Xin Hai which shall require joint signatures and joint seals of both a Xin Hai authorized officer and a joint venture company authorized officer for any withdrawal of money from it. Forty percent (40%) of the revenue shall be transferred to another bank account (second account) of Xin Hai while the other sixty percent (60%) of the revenue shall be transferred to a bank account of the joint venture company. The forty percent (40%) revenue transferred to a second account of Xin Hai shall be used to cover the operating expenditures. If the amount is less than actual operating expenditures, Xin Hai shall obtain the "balance" from the joint venture company (on a month by month basis). If the amount is higher than the actual operating expenditures then Xin Hai must remit the "surplus" to the joint venture company. The use of the sixty percent (60%) internet revenue transferred to the joint venture company (plus the aforementioned "surplus" or minus the aforementioned "balance") shall be treated as business revenue of the joint venture company and shall be used to pay returns on Company investment capital, fees for technical and management services performed by the joint venture, or remitted as profits to the joint venture participants.

The Placer joint venture is liable for the operating expenditures of the internet network. These operating expenditures include: space and office rental, salaries, and overhead of network operators, leased lines, miscellaneous office furniture and equipment, internet system hardware and software, advertising, travel and promotion, reasonable entertainment, marketing costs, insurance and management cost.

The Company's subsidiary, Infornet Investment Ltd. is obligated to contribute all of the registered capital of the Placer joint venture. Xin Net Corp. provides the funds to Infornet. Under the joint venture the registered capital is 525,000 USD and total amount of investment (registered capital plus external financing) is 2,000,000 USD. Both of these amounts have been increased in order to better reflect foreseen requirements. Through Infornet, the Company has contributed an additional capital amount of 1,225,000 USD, resulting in a total contribution of 1,750,000 USD. No further capital contribution is required from the Company, however the Company has advanced and will continue to advance loans to the joint venture as necessary to continue the business, but subject to the limits of its capital. Loans made to the Placer joint venture by the Company amounted to US$3,138,231 at December 31, 2001. These loans are further described in Item 12-Certain Relationships and Related Transactions. Xin Hai has not contributed to the registered capital or loans to the Placer joint venture.

OBLIGATIONS OF THE JOINT VENTURE COMPANY

Under the joint venture contract, the joint venture provides Xin Hai with all the software and equipment as well as the accessories necessary for selling services to end users.

The joint venture also shall provide all the engineering services in respect of the internet network which include but shall not be limited to: the engineering design; the integration, the installation and the testing of the internet network; the customization of the internet network protocol and of the network management software; the development of end user interface software and user application software; the technical support to the internet network and advisory service on maintenance; the supply of equipment and instruments to the internet network.

The joint venture partner Xin Hai holds the "business," including ISP operating licenses, industrial property rights, and network. The ownership and title to all of the assets comprising the internet network shall remain with the joint venture during the term of the joint venture. Xin Hai shall, subject to the agreements, be entitled to the custody and control of such assets on behalf of the Company's joint venture. Subject to the prior written approval of the joint venture, title to any such assets may be vested in Xin Hai and, in all such cases, such assets shall be held by Xin Hai in trust for the joint venture. Xin Hai is not liable for further capital contribution in the Placer joint venture.

The day-to-day network operations are conducted by Xin Hai. General management is assumed by Mr. Xin Wei, an officer and employee of Infornet Investment Corp. (Xin Net Corp. wholly owned Canadian subsidiary). He is also the president of Xin Hai. Strategic issues and decisions are tackled by a team comprised of the Company's Board of Directors and Mr. Xin Wei. Xin Hai has agreed as an addendum to the joint venture agreement that until all investment in the Placer joint venture has been recouped by the Company, and thereafter for a period of 15 years, the Company will designate the managers/directors of the joint venture and control the decisions of the joint venture.

The joint venture may be terminated prior to the expiration of its 20-year term in one of the following ways:

- breach of agreement which goes uncured - by mutual agreement between the partners; - in case the joint venture is bought by a third party;
- or, in case of bankruptcy, or receivership or liquidation of a party; - excessive losses due to force majeure.

Upon termination, the assets of the joint venture will be liquidated or sold and the proceeds will be allocated thus:

- a) if the Company (through Infornet) has not yet recouped its invested capital, 100% goes to Infornet and none goes to Xin Hai.

- b) if the Company has already recouped its invested capital, 80% goes to Infornet and 20% goes to Xin Hai.

EVENTS OF DEFAULT

If any party fails to perform its duties specified in the present joint venture contract or in the Articles of Association, or if the party seriously breaches the provisions of the joint venture contract or of the Articles of Association, and thereby causes damage to the operations of the joint venture company or causes directly or indirectly, the failure to reach the goals regarding the operations specified in the joint venture contract, such act shall be deemed an event of default by the party which breaches the joint venture contract. The other party is entitled to claim for remedy, and shall have the right to terminate the joint venture contract by filing an application to the competent examination and approval authorities. Should the joint venture company continue to operate, the party which breaches the joint venture contract must compensate for the economic losses and damages incurred by the joint venture company and the shareholders thereof.

FINANCIAL REPORTS

The Company will receive a joint venture annual report within eighty (80) days after the end of each fiscal year containing: audited financial statements as at the end of, and for, the fiscal year (prepared in accordance with international generally accepted accounting principles (International GAAP) adopted in the PRC consistently applied, with comparative financial statements as at the end of, and for, the immediately preceding fiscal year) containing a balance sheet; a statement of profit and loss; a statement of changes in financial position; and a statement of change capital; a report of the Auditors on the financial statements stating that the financial statements have been prepared in accordance with international generally accepted accounting principles (International GAAP) adopted in the PRC consistently applied; and a report of allocations and distributions (whether directly or indirectly) to the Company and Xin Hai.

THE COMPANY BUSINESS

The Company offers a comprehensive suite of internet related services to the PRC markets. It believes that by offering a wide range of complementary services , it will be positioned to capitalize on the growth of the internet throughout the PRC.

THE COMPANY STRATEGY

The Company strategy is to capitalize on the internet growth in the PRC among Chinese users. It believes the Chinese and Asian markets represent one of the fastest growing and potentially one of the largest user groups on the internet today. In order to capitalize on this growth opportunity in Chinese and Asian internet markets, the Company seeks to:

(a) Provide domain name registration, web design and web-hosting services; and

(b) Create and commercialize a platform for e-commerce and value-added services specifically tailored to the Chinese market.

The Company believes the PRC market will adopt web-based e-commerce as an increasing number of businesses and consumers embrace the internet as a viable method of purchasing goods and services. Over the long-term, its strategy is to

facilitate e-commerce developments in these markets and generate fixed fees and/or transaction-based revenues on over its network.

(c) Utilize strategic alliances, business partnerships and acquisitions to enhance Company products and services and to expand its presence geographically throughout Asia.

In order to increase the traffic and build its market, the Company continues to pursue strategic relationships with prominent, internationally recognized business partners who offer quality content, technology and distribution capabilities as well as marketing and cross-promotional opportunities.

On November 23, 2001 the Company signed an "Investment Banking Agreement" with iBanc Group, Inc. of Irvine, California for investment services. Under the terms of the agreement, iBanc shall arrange financing for the Company in an amount of US$6 Million in the form of the purchase of 12 million restricted common shares of the Company at the price of $0.50 per share, and provide advisory services to the Company for a period of up to 24 months. The Company will pay iBanc a commission of 10% and a fee of $35,000 per month over a two-year period. In addition, the Company will issue to iBanc 600,000 restricted common shares, a 5-year warrant for the purchase of another 500,000 shares exercisable at a price per share of 115% of the average closing price of the shares of Xin Net over the last 10 days of trading prior to the date of issue of the warrant, and a second 5-year warrant for the purchase of another 500,000 shares exercisable at a price of $0.50 per share. Although the originally agreed-on deadline for completion of the funding has elapsed, neither party has cancelled the Agreement.

On October 1, 2001 Xin Net signed an agreement to acquire all the shares of Protectserve Pacific Ltd. ("PSP"), an innovative developer and provider of state-of-the-art web-based surveillance, monitoring & control systems. Xin Net and PSP subsequently cancelled that agreement and replaced it with a new agreement by which Xin Net will acquire control of a publicly traded company. The new public company will acquire PSP and thereafter Xin Net will distribute by way of a dividend its shares of the new company to Xin Net shareholders of record at a yet-to-be determined record date. (The Xin Net shares issued to iBanc or its assignee under the financing agreement will not have any right to this dividend.)

The company subsequently acquired control of World Envirotech, Inc. by purchase of 970,675 shares of common stock (71.9%) of World Envirotech, Inc. for $200,000 cash on December 27, 2001. The company purchased an additional 14,400,000 shares of common stock of World Envirotech, Inc. (from Treasury) for $600,300 and caused the name to be changed to The Link Group, Inc. (LNKG). In March 2002 The Link Group, Inc. completed a Share Exchange Agreement with Protect Serve Pacific Limited whereby PSP shareholders received 37,500,000 shares of The Link Group, Inc for 100% of PSP. Xin Net owns 28.8% of the outstanding common stock of The Link Group, Inc.

JOINT VENTURE

All Company services are offered through Xin Net Telecom Corp. Ltd. with joint venture partner Xin Hai. Xin Hai has been granted in 1999 internet licenses in six new Chinese cities. They are Guangzhou (formerly Canton), Dalian, Nanjing, Wuhan, Chengdu and Xian. Together with Beijing, Shanghai, Shenyang and Taiyuan, Xin Hai now has licenses for ten major cities with a combined population of about 80 million. The Company decided in May 2001 to focus its business in China on domain name registration and web-hosting services, and to discontinue Internet access provision services as soon as practicable. On June 22, 2001 the Company entered into an agreement to sell its ISP assets to another company.

The Beijing office opened for business in 1997, followed by the Shenyang Office later in the same year. The Company opened offices in Shanghai and Guangzhou in 1999, in Chengdu in 2000 and in Nanjing in May 2001.

COMPANY SERVICES

The Company is now focusing on domain name registration, web-hosting and web design services under the Chinadns banner. It has incorporated the website www.chinadns.com, the first in the PRC to offer online site registration. Its online domain name registration business, Chinadns, continues to enjoy significant growth. In October 1999, Chinadns was approved as an Official Agent of Network Solutions, Inc. The chinadns.com business has signed agreements with several hundred agents to sell its domain name registration services in the PRC. Amongst these are several local telecom companies, including Beijing Telecom and Luo-Yang Telecom, which have adopted and purchased the proprietary Chinadns platform, and Ji Tong, China's third largest telecommunications company.

On December 21, 1999 the Company was accredited by ICANN (Internet Corporation for Assigned Names and Numbers) as a new domain name registration service (www.chinadns.com), and became fully operational as such in July 2000. In November 2000, chinadns.com began to offer registration of chinese-character domain names ending in local .cn and international .com, .net and .org suffixes.The Company has recently begun to offer registration of .cc, .tv and ..biz domain names.

The Company also offers e-commerce solutions and online advertising services.

MARKETING

The Company's business, more particularly its ChinaDNS banner, has already achieved some name recognition and market share. In the future, the Company will seek to achieve even broader market penetration and increase the use of services by well designed advertising campaigns and advantageous promotional offers to new customers.

Increasing Usage By Existing Customers. The Company regularly enhances services and update content hosted on its web site in order to encourage frequent visits by users. Its network offers community building services designed to increase user usage and loyalty.

To facilitate growth the Company will solicit personal computer manufacturers and retailers to bundle services, sign cooperative agreements with brand name companies, put more effort on system integration services, and will offer more value-added services. Types of value-added services include: various levels of web-hosting, "do-it-yourself" web design, customized e-commerce solutions (business to business, business to consumer) and advertising. It will also look for strategic alliances with suitable partners.

EMPLOYEES

As of the end of December 31, 2001 the Company, through its joint venture partner Xin Hai, had approximately 155 full-time employees in marketing, sales, technical operations, management and support. All employees exclusively work on the joint venture business. The Company's future success will depend in part on its ability to continue to attract, retain and motivate highly qualified technical and marketing personnel. From time to time, it may also employ independent contractors to support development, marketing, sales and support and administrative organizations. Xin Hai employees are not represented by any collective bargaining unit and it has never experienced a work stoppage.

FACILITIES

Servers. The Company systems infrastructure consists of multi-vendor server systems geographically located in the PRC, in Beijing, Shanghai, and Shenyang interconnected to the internet through co-location at major telecommunication facilities and at its own sites. It has an auction site infrastructure located in British Columbia, Canada, which the Company intends to dismantle during the current year

REGULATION OF INTERNET OPERATIONS IN PRC

Under the Administrative Measures on Security Protection for International Connections to Computer Information Networks, any use of the PRC internet infrastructure which results in a breach of the public security or the provision of socially destabilizing content is a violation of Chinese laws and regulations. A breach of the public security includes:

- breach of national security or disclosure of State secrets; - infringement on State, social or collective interests or the legal rights and interests of citizens; or
- illegal or criminal activities.

Socially destabilizing content includes content that:

- incites defiance or violation of the PRC Constitution, laws, or administrative statutes;
- incites subversion of State power and the overturning of the socialist system;
- incites national division and harms national unification; - incites hatred and discrimination among nationalities and destroys national unity;
- fabricates or distorts the truth, spreads rumors or disrupts social order;
- spreads feudal superstition, involves obscenities, pornography. gambling, violence, murder, horrific acts or instigates criminal acts; - openly humiliates another party or slanders another party through a fabrication of the truth;
- damages the reputation of a State organ; or
- violates the Constitution, laws or administrative statutes.

If through the provision of services to users in the PRC, the Company commits any of the above, whether with or without intent, it would be subject to significant liability. Potential liability would include being disconnected from the ChinaNet or blocked in the PRC. Where breaches are severe, criminal proceedings may be initiated against the Company.

The joint venture partner, Xin Hai, provides regulatory advice and reviews content provided through the network to determine whether such content is in compliance with the PRC regulatory requirements. Because of the stringent requirements relating to the type of content allowed utilizing the PRC internet infrastructure and a conservative interpretation of such regulations, the content provided over our joint venture network is stringently edited and may not be as interesting as other web sites which do not try to comply with the PRC regulatory requirements. Such web sites, however, may run the risk of being blocked from the Chinese internet infrastructure by local public security bureaus.

The PRC has also enacted other regulations governing internet connections and the distribution of information via the internet according to the Administrative Measures on China Public Multimedia Telecommunication. Internet content providers are required to report to the Ministry Information Industry (the predecessor of Ministry of Post and Telecommunications) or provincial Post and Telecommunication Bureau for verification and to enter into an interconnection agreement and undertaking letter for information security with China Telecom or other node service providers. The Company has complied with these requirements.

Under the Administrative Measures on Security Protection for International Connection to Computer Information Networks, entities with their computer information networks interconnected with the internet are required to register a notice filing with the relevant authorities designated by local public security bureaus. The Company has fulfilled these registration procedures.

PRODUCTS, SERVICES, MARKETS, METHODS OF DISTRIBUTION AND REVENUES

Internet Services are presently the Company's principal services. The market is focused on the PRC's major cities. Xin Hai offices in Beijing and Shenyang have been operating since 1997. Shanghai office opened in June/July 1999. Guangzhou office opened in November 1999 and Chengdu office in June, 2000. In May 2001, it opened an office in Nanjing. Revenues come from domain name registrations, web-hosting fees, web page design fees, e-commerce solution sales, advertising and other miscellaneous sources.

WORKING CAPITAL NEEDS

The working capital needs arise primarily from: the need for capital for expanding existing capacity of Company services, to open more offices in other major cities, to launch new value-added services, enhance capability for e-commerce design and development in the PRC. These requirements have been met by a private placement for an amount of US$5.5 million in May 1999 which provided the needed working capital to this day, but may be used up during the current year. In November 2001, the Company signed a funding agreement with the iBanc Group, Inc. If and when this agreement comes to fruition, the Company will get additional funds amounting to 5-6 Million dollars. Furthermore, if shareholders exercise 5,885,000 outstanding series "A" warrants, and then 5,885,000 series "B" warrants, this will provide further capital for much faster and wider growth of the company. "A" warrants and "B" warrants are described in Item 6 under "Liquidity and Capital Resources".

DEPENDENCE ON CLIENT BASE

Presently all revenue comes through the joint venture from domain name registration fees, web design and web hosting fees, advertising and e-commerce solutions sales from the client base in the Chinese cities where Xin Hai is operating. At the end of December 2001, the number of registered domain names totaled over 600,000 and the number of web sites hosted was approximately 65,000. The joint venture and Company's dependence on this client base will continue in the foreseeable future.

Backlog of Orders: None.

Government Contracts: None.

COMPETITIVE CONDITIONS

Internet access is still expensive in China as compared to North America for example, even more so when the average salary is taken into consideration. Currently, all Internet companies can only rent lines from Chinese Government Telecommunications Companies. There is uncertainty as to future line cost, although it has been reduced recently as shown by the significant tariff reduction by ChinaNet on March 1, 1999 and Shanghai Telecom's offer to its telephone subscribers of the free installation of a second telephone line. Costs are expected to continue to come down.

The Chinese government's commitment and investment to modernize the country's telecommunications infrastructure has been given further impetus by the International Olympics Committee's (IOC) award to China of Year 2008 Summer Olympics, and by China's entry in the World Trade Organization (WTO). The Chinese government also strongly encourages the country's enterprises to enhance modernization of their operations and to embrace e-commerce.

Management believes these developments will continue to feed the growth of internet usage in China. Statistics released by the China Internet Network Information Center (CNNIC) put China's internet users at 26.5 million at the end of June 2001, compared to year ago number 16.9 million, or an increase of well over 50 percent. Also, the number of web sites grew from 27,289 in July 2000 to 242,739 in July 2001.

The Company's domain name registration service, ChinaDNS, is consistently ranked by CNNIC as one of its top registrars. But competition is fierce from other well-ranked registrars, such as HiChina Web Solutions Limited and OnlineNIC Inc.

A number of factors, beyond Company control and the effect of which cannot be accurately predicted, may affect the marketing of the internet access and services to the joint venture. These factors include political policy on Internet operation, political policy to open the doors to foreign investors, and the availability of adequate capital. The internet services industry in the PRC is highly competitive. The joint venture faces competition from other domain name registration and web hosting companies as mentioned earlier. Many of them possess greater financial and personnel resources than Xin Hai and the joint venture and therefore have greater leverage to use in developing new services, expanding capacities, hiring personnel and marketing. Accordingly, a high degree of competition in these areas is expected to continue. The markets for internet services and content have increased substantially in recent years, but cost of lines rental is still a major expense of the joint venture. There is no assurance that Company revenues will not be adversely affected by these factors.

The market in the PRC is monitored by the government, which could impose taxes or restrictions at any time, which would make operations unprofitable and infeasible and cause a write-off of capital investment in Chinese opportunities.

A number of factors, beyond the Company's control and the effect of which cannot be accurately predicted may affect the marketing of the services. These factors include political policy to open the doors to foreign investors, the availability of adequate bandwidth of the ChinaNet backbone and gateway.

XIN NET SPONSORED RESEARCH AND DEVELOPMENT

None.

COMPLIANCE WITH RELATED LAWS AND REGULATIONS

The operations of the joint venture with Xin Hai are subject to local, provincial and national laws and regulations in the People's Republic of China. Xin Hai Technology Development Ltd. holds licenses to do businesses in the currently operated locations: Beijing, Chengdu, Guangzhou, Nanjing, Shanghai and Shenyang. The Company is unable to assess or predict at this time what effect the regulations or legislation could have on its activities in the future.

(a) Local regulation

The Company cannot determine to what extent its future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations on a local level in PRC.

(b) National regulation

The Company cannot determine to what extent its future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations on a national level. (See Discussion of such laws previously under "Regulations of Internet Operations").

The value of the Company investments in PRC may be adversely affected by significant political, economic and social uncertainties in the PRC. Any changes in the policies by the government of the PRC could adversely affect the Company by, among other factors, changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, the expropriation or nationalization of private enterprises, or political relationships with other countries.

(c) Parents and Subsidiaries

Parent:

XIN NET CORP., a Florida corporation

Subsidiaries:

INFORNET INVESTMENT CORP., a British Columbia corporation (100%)
INFORNET INVESTMENT LTD., a Hong Kong corporation (100%)

XIN NET TELECOM CORP. LTD. (formerly PLACER TECHNOLOGIES CORP.), a joint venture in China (100%, reverting to 80% Infornet Investment Limited and 0%, reverting to 20%, Xin Hai Technology Development).
XIN BIZ Corp (100% owned BVI Corp.)
XIN BIZ Limited (a Hong Kong Corp) (100% owned subsidiary of XIN BIZ Corp.)

The Company is a minority shareholder of THE LINK GROUP, INC. (formerly called World Envirotech, Inc.) at March 31, 2002. See Company Year 2001 Financial Statement, Notes 16.

Number of Persons Employed:

As of December 31, 2001, the Company had two employees, Xiao-qing Du and Xin Wei, through Infornet Investment Corp., each at a salary of C$2,500 per month, involved in the day-to-day management of its business: Du partly in Canada and partly in China, and Wei in China. Xin Hai, our partner in the Placer joint venture, had approximately 155 full-time employees in PRC at the end of December 2001.

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ITEM 2. PROPERTIES

Xin Net Corp. currently maintains an office at: #950 - 789 West Pender Street, Vancouver, B.C. Canada V6C 1H2 (telephone number is 1-604-632-9638). It also has an office, as part of the joint venture, in Beijing at Room 1858, New Century Office Tower, No. 6, Southern Road Capital Gym, Beijing 100044, China. Other Xin Hai/joint venture offices are in Guangzhou, Shanghai, Chengdu, Nanjing and Shenyang.

As of December 31, 2001, the Xin Net Corp. had the following tangible assets. (The amount is quoted in US Dollar)

(a) Real Estate: None

(b) Computer and Office Equipment: $714,171

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings and no such proceedings are known to be contemplated.

No director, officer or affiliate of Xin Net Corp., and no owner of record or beneficial owner of more than 5.0% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to Xin Net Corp. or has a material interest adverse to it in reference to pending litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fiscal year covered by this report to a vote of security holders of Xin Net Corp., through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

(a) The Company common stock is traded on the NASD Electronic Bulletin Board. The following table sets forth high and low bid prices of the its common stock for years ended December 31, 1999, December 31, 2000 and December 31, 2001 as follows:

Bid (U.S. $)

	HIGH	LOW
2001		
First Quarter	1.375	0.625
Second Quarter	0.75	0.33
Third Quarter	0.49	0.18
Fourth Quarter	0.55	0.21
2000		
First Quarter	$20.12	$2.78
Second Quarter	$ 9.37	$2.00
Third Quarter	$ 6.50	$1.34
Fourth Quarter	$ 2.81	$0.53

1999		
First Quarter	$ 2.00	$ .34
Second Quarter	$ 6.625	$1.625
Third Quarter	$ 4.00	$1.469
Fourth Quarter	$ 5.187	$1.125

Because of recent changes in the rules and regulations governing the trading of small issuers securities, the Company's securities are presently classified as "Penny Stock," which classification places significant restrictions upon broker-dealers desiring to make a market in these securities. It has been difficult for management to interest any broker-dealers in our securities and it is anticipated that these difficulties will continue until the Company is able to obtain a listing on NASDAQ at which time market makers may trade its securities without complying with the stringent requirements. The existence of market quotations should not be considered evidence of the "established public trading market." The public trading market is presently extremely limited as to number of market markers in Company stock and the number of states within which its stock is permitted to be traded.

Such Bulletin Board quotations reflect interdealer prices, without mark up, mark down or commission and may not necessarily represent actual transactions.

(b) As of December 31, 2001, Xin Net Corp. had approximately 7800 shareholders of record of the common stock.

(c) No dividends on outstanding common stock have ever been paid. The Company does presently have any plans regarding payment of dividends in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information presented here should be read in conjunction with Xin Net Corp's consolidated financial statements and related notes.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash capital of $1,360,071 at year-end 2001.

The Company has no other capital resources other than the ability to use its common stock to achieve additional capital raising. It did not raise any additional capital during the year 2001. It has equipment of $714,171 on the books, which is not necessarily liquid at such value. Other than cash capital, its other assets would be illiquid.

At the fiscal year-end it had $2,839,441 in current assets and current liabilities of $3,104,368.

The cash capital at the end of the period of $1,360,071 will be used to fund continued operations. The Company has material commitments to expend funds to cover operating expenses of operations in China. The trend of operating losses could continue due to costs of equipment, design of new value-added services, start up operations for new locations and advertising & marketing which precede development of additional revenue for the Company.

Net cash flows used in operating activities decreased to $401,849 in 2001 from $1,895,601 in 2000. The decrease in deferred revenue, $211,420 in 2001 as compared to $1,559,213 in 2000, the decrease in deferred costs, $106,493 in 2001 as compared to $465,185 in 2000, the increase in security deposit (due to the sale of ISP assets in June 2001) $500,000 in 2001 from nil in 2000, and the decrease in accounts payable and accrued liabilities, $172,135 in 2001, as

compared to $349,652 in 2000 are the main contributing factors to the year-over-year change in cash flow used in operations. Net cash flow used in investing activities increased only slightly, to $792,303 in 2001 from $717,276 in 2000, although the specific items under this heading changed very significantly, e.g. purchases of property and equipment decreased to $169,159 in 2001 as compared to $935,128 in 2000, and the appearance of two new items in 2001: Loan to ProtectServe Pacific Ltd. $360,400 and Goodwill on purchase of investment $200,000. Net cash flow due to financing activities changed only marginally to $65,065 in 2001, compared to $61,264 in 2000.

The Company has revenues from its joint venture operations at this time. However capital from private placements, borrowing against assets and/or from warrants being exercised by warrant holders, is required to fund future operations. The Company completed a private offering of common stock at $0.40 per share for $750,000 in June 1998. In 1999 it closed a private placement of 5.5 million units of common stock at US$1.00 per unit consisting of one (1) common share and one (1) Non-Transferable Share Purchase Warrant (Series "A" warrant). One (1) "A" warrant entitles the holder to purchase on or before March 31, 2001 one (1) additional unit of the issuer at a price of US$2.00 per unit, each unit consisting of one (1) common share and one (1) additional warrant (Series "B" warrant). The additional warrant ("B" warrant) entitles the holder to purchase one (1) common share of the issuer at a price of US$5.00 per share on or before March 31, 2002.

On March 15, 2001 the Company amended both the Series "A" and Series "B" warrants as follows:

- the exercise price of the Series "A" warrants is adjusted to $1.00 each and their term is extended to the earlier of (a) March 31, 2003 and (b) the 90th day after the day on which the weighted average trading price of Xin Net Corp.'s shares exceeds $1.25 per share for ten consecutive days;
- upon exercise of one Series "A" warrant at $1.00, the holder will receive one Xin Net Corp. common share and one Series "B" warrant;
- the exercise price of the Series "B" warrants is adjusted to $1.50 each and their term is extended to the earlier of (a) March 31, 2004 and (b) one year after the 90th day occurrence described above.

Outstanding warrants are not included in the "Liquidity and Capital Resources" and they are not valued in the financial statements.

Changes in Financial Condition:

At year-end 2001 Company assets had decreased to $3,753,612 compared to $4,469,566 at year 2000. The current assets totaled $2,839,441 at 2001 year-end compared to $3,698,804 at 2000 year-end. Total liabilities at year-end 2001 were $3,104,368 compared to $2,313,086 at 2000 year-end. At December 31, 2001 the Company had $1,360,071 in cash compared to $2,619,288 a year ago.

Need for Additional Financing:

The Company believes it has sufficient capital to meet its short term cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934. But it will have to seek loans or equity placements to cover longer term cash needs to continue operations and expansion. The Company signed a funding agreement with the iBanc Group, Inc. in November 2001. If and when this agreement comes to fruition, a sum of 5-6 Million dollars will be made available to the Company. There is no assurance, however, that such funds will become available.

No commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover operations expenses.

If future revenue declines, or operations are unprofitable, it will be forced to develop another line of business, or to finance its operations through the sale of assets it has, or enter into the sale of stock for additional capital,

none of which may be feasible when needed. The Company has no specific management ability, nor financial resources or plans to enter any other business as of this date.

From the aspect of whether it can continue toward the business goal of maintaining and expanding the joint venture for internet services in China, it may use all of its available capital without generating a profit.

The effects of inflation have not had a material impact on its operation, nor is it expected to in the immediate future.

Although the Company is unaware of any major seasonal aspect that would have a material effect on the financial condition or results of operation, the first quarter of each fiscal year is always a financial concern. It is not uncommon for companies to shut down their operation or operate on a skeletal crew during the Chinese New Year holiday. Therefore in effect, the first quarter really has only two months for generating revenue.

Market Risk:

The Company does not hold any derivatives or investments that are subject to market risk. The carrying values of any financial instruments, approximate fair value as of those dates because of the relatively short-term maturity of these instruments which eliminates any potential market risk associated with such instruments.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2001 AS COMPARED TO THE YEAR ENDED DECEMBER 31, 2000.

The Company began operations as an ICANN-accredited domain name registrar in the third quarter of year 2000. As a result, an important accounting change was made in the way it recognizes revenues and costs related to .com, .net and .org domain name registration services. Prior to this event, the Company acted as agents of other ICANN-accredited registrars. International domain name revenues and costs were then respectively recognized when collected and incurred. As of July 1, 2000 such revenues and costs are spread over the various periods during which the services are rendered. Generally, revenues collected are non-refundable and the Company has not made any refunds since it started operations.

This change in domain name revenue and cost recognition conforms with SEC (Securities and Exchange Commission) requirements.

The Company achieved revenues of $3,567,571 in 2001 in the form of net sales of domain name registration services and e-solutions services (i.e. excluding Internet Access Provision services, which were discontinued in June 2001) from its joint venture with Xin Hai Technology Ltd. Sales in 2000 were $1,902,290. The Company had cost of revenues of $1,191,905 in 2001, as compared to $757,832 in 2000. Gross profit in 2001 was $2,375,666 compared to $1,144,458 in 2000. The Company incurred operating expenses of $3,555,111 in 2001 compared to operating expenses of $3,556,912 in 2000. Operating loss for 2001 was ($1,179,445) in contrast to the 2000 operating loss of ($2,412,454). The company had other income of $71,193 in 2001 and $154,011 in 2000. The net loss in 2000 was ($3,607,724) compared to the net loss in 2001 of ($1,510,903). The per share loss for 2000 was ($0.17), and the per share loss for 2001 was ($0.07).

Revenues from sales of domain name registration services and e-solutions services increased from $1,902,290 in 2000 to $3,567,571 in 2001 as a result of the Company's continued good performance in these areas.

Operating expenses decreased marginally in 2001 to $3,555,111 from $3,556,912 in 2000, in spite of the substantial annual growth in revenue. These results were made possible due to the Company's cost saving measures. During year 2001, the Company scaled down its advertising and promotional campaign and signed an agreement to sell its ISP services business because of diminishing capital funds and continuing losses

The biggest expenditure items were: Salaries, Wages and Benefits, which increased to $1,449,304 in 2001 from $747,798 in 2000; and General and administrative, which decreased marginally to $1,200,541 in 2001 from $1,211,938 in 2000, and Telephone and Communication, which increased to $348,277 in 2001 from $340,019 in 2000.

Future Trends:

The Company cannot assure that any profit on revenues can occur in the future, because it may have to continue, through its joint venture business, to advertise and promote its services and develop additional value-added services in order to preserve or increase its market share. In spite of taking measures to control expenses, operating losses may continue. If the Company acquires additional capital, for example through sale of stock in private placements or through investors exercising warrants, it may be able to advertise and promote its services more aggressively and expand its business more rapidly.

Recent Accounting Pronouncements:

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 (SAB101), "Revenue Recognition in Financial Statements", which provides guidance on the recognition, presentation and disclosure of revenue in financials filed with the SEC. SAB101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. It also requires companies to report any changes in revenue recognition as a cumulative change in accounting principle at the time of implementation in accordance with Accounting Principles Board Opinion No. 20 "Accounting Changes". As amended by SAB101A and SAB101B, the Company is required to follow this guidance no later than the fourth fiscal quarter of the fiscal year ended December 31, 2001. Management believes that the standard will not have a material effect on the final position or results of operations of the Company.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS133 "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognizes all derivatives as either assets or liabilities in the balance sheet, and measure those instruments at fair value. In June 1999, the FASB issues FAS137 "Accounting for Derivative Instruments and Hedging Instruments-an Amendment of FASB Statement No. 133". As amended by SFAS 137, the Company is required to adopt this statement for the fiscal year ending December 31, 2001. The adoption of this statement does not have an effect on the Company's revenue and earnings as the Company currently does not have any derivative instruments.

"Business Combinations." SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting. SFAS No. 141 also changes the criteria for the separate recognition of intangible assets acquired in a business combination. SFAS No. 141 requires companies to recognize acquired identifiable intangible assets separately from goodwill if control over the future economic benefits of the asset results from contractual or other legal rights or the intangible asset is capable of being separated or divided and sold, transferred, licensed, rented or exchanged. The standards require the value of a separately identifiable asset meeting any of the above criteria to be measured at fair value. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001.

"Goodwill and Other Intangible Assets." SFAS No. 142 requires companies to cease amortizing goodwill acquired through business combinations. However, SFAS No. 142 requires that companies assess acquired goodwill for impairment upon adoption of the statement, and at least annually, at the lowest individual reporting unit level that can be distinguished, physically and operationally, for

internal reporting purposes, from the other activities, operations, and assets of the entity, utilizing a two-step approach. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2001, to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 requires companies to complete a transitional goodwill impairment test within six months of the date of adoption. The companies are also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of the standards. The Company will adopt the standards in the fiscal year beginning January 1, 2002.

"Accounting for Asset Retirement Obligations." SFAS No. 143 effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company will adopt the provisions of this statement from the fiscal year starting on January 1, 2002.

"Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business", for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less costs to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. This statement also broadens the reporting of discontinued operations.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is included as a separate exhibit to this report. Please see pages F-1 through F-20.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS AND SIGNIFICANT MEMBERS OF MANAGEMENT

(a) The following table furnishes the information concerning Company directors and officers as of the date of this report. The directors of the Registrant are elected every year and serve until their successors are elected and qualify.

NAME	AGE	TITLE	TERM
Xiao-qing Du	31	President of Subsidiary Infornet Investment Corp. and Director	Annual
S.Y. Marc Hung	57	President and Director	Annual
Ernest Cheung	51	Director and Secretary	Annual
Maurice Tsakok	50	Director	Annual
Xin Wei	32	President of Xin Hai Technology Development Ltd. (The joint venture partner in China)	Annual

The following table sets forth the portion of their time the directors devote to the Company:

Ernest Cheung	20%	Angela Du	100%
Marc Hung	100%	Maurice Tsakok	20%

The term of office for each director is one (1) year, or until his/her successor is elected at the Company annual meeting and is qualified. The term of office for each of the officers is at the pleasure of the Board of Directors.

(b) Identification of Certain Significant Employees.

Strategic matters and critical decisions are handled by Company directors and executive officers: Marc Hung, Xiao-qing Du, Ernest Cheung and Maurice Tsakok. Day-to-day management is delegated to Xiao-qing (Angela) Du partly in China and partly in Canada, Marc Hung in Canada and Xin Wei in China. Du and Wei are employees of the wholly-owned subsidiary, Infornet Investment Corp. Xin Wei occupies the position of President of Xin Hai Technology Development, Ltd. and is also a director of the Xin Net Telecom Corp. Ltd. (formerly Placer) joint venture. His time is split approximately 60% Xin Hai (operations) and 40% Xin Net Telecom Corp. Ltd. (strategies, planning, business development).

(c) Family Relationships. Xiao-qing Du and Xin Wei are husband and wife.

(d) Business Experience.

The following is a brief account of the business experience during the past five years of each of the Company directors and executive officers, including principal occupations and employment during that period and the name and principal business of any corporation or other organization in which such occupation and employment were carried on.

XIAO-QING (ANGELA) DU, President of subsidiary Infornet Investment Corp. and Director, age 31, was President and Director of our company from 1996 to April 1999. She received a Bachelor of Science in International Finance in 1992 from East China Normal University. She received a Master of Science in Finance and Management Science in 1996 from the University of Saskatchewan Canada. She has been Business Manager of China Machinery & Equipment I/E Corp. (CMEC) from 1992 to 1994. She is now President of Infornet Investment CORP., the Company's wholly owned subsidiary in Canada, and is a director of the Company.

ERNEST CHEUNG, Secretary and Director, age 51, has been Secretary of the company since May 1998. He received a B.A. in Math in 1973 from University of Waterloo Ontario. He received an MBA in Finance and Marketing from Queen's University, Ontario in 1975. From 1991 to 1993 he was Vice President of Midland Walwyn Capital, Inc. of Toronto, Canada, now known as Merrill Lynch Canada. From 1992 until 1995 he served as Vice President and Director of Tele Pacific International Communications Corp. He has also served as President for Richco Investors, Inc. since 1995. He has been a director of the Company since 1996. He is currently a Director of Agro International Holdings, Inc. since 1997, Spur Ventures, Inc. since 1997, Richco Investors, Inc. since 1995 and Drucker Industries, Inc. since 1997. In 2000, he became President and a Director of China NetTV Holdings, Inc. In 2002, he became a Director of The Link Group, Inc. (Formerly World Envirotech, Inc.).

MARC HUNG, B.A.Sc.(E.E.), M.A.Sc. (E.E.) University of Montreal (1969 & 1971), President and Director, age 57, has been President of the company since April 6, 1999. From May 1992 to April 1997, Marc Hung was director of Power System Technology, a division of Institut de Recherche en Electricite du Quebec (IREQ), Hydro-Quebec's Research Institute. His main tasks consisted of general management, networking, promotion of the division's technological products and services and negotiations with potential partners for spinning off promising innovations. The field of responsibility included, amongst others, software products and services, software engineering and telecommunications technology. From May 1997 to June 1998, he was loaned by Hydro-Quebec to the Canadian Centre for Magnetic Fusion (CCFM), a fundamental research entity formed by Hydro-Quebec, the Institut National de Recherche Scientifique (INRS) and (up to March 1997) Atomic Energy of Canada Ltd. Besides general management, his main mandate was to develop and propose a plan for the commercialization of the Centre's innovative products and services. From 1999 to date he has been President and principal of Sinhoy Management, Ltd. From July 1998 to March 1999, Mr. Hung was on sabbatical for personal reasons, but acted as a consultant to Xin Net. In 2000, he became a Director of China NetTV Holdings, Inc.

MAURICE TSAKOK, Director (since 1997), age 50, was employed from 1994 to 1996 by Sagit Mutual Funds, a mutual fund company, who as a vice-president was responsible for computer operations and research on global technology companies. From 1997 to present, he acted as a consultant on the high-tech industry and provides technical analysis on high-tech companies. He holds a Mechanical Engineering degree (1974 University of Minnesota) as well as an MBA specializing in Management Information Systems (MIS) (1976 Hofstra University). In 2000, he became a Director of China NetTV Holdings, Inc. In 2002, he became a Director of The Link Group, Inc. (Formerly World Envirotech, Inc.).

XIN WEI, age 32, is President of Xin Hai Technology Development Corp., the joint venture partner in Placer Technology Corp., the Company's joint venture in China. Xin Wei graduated from Beijing Industry University in 1991 with a diploma in Computer Science. From 1991 to 1992 Xin Wei was a sales engineer of Beijing Sino-Soft Computer Institution. From 1992 to 1995 he was a Director of Beijing Xin Hai Technology Development Corp. From 1995 to 1996 he was a student in Canada, and also served as a director of Xin Hai Technology Development Corp.

(e) Committees of the Board of Directors

The Board of Directors does not have a nominating committee. Therefore, the selection of persons or election to the Board of Directors was neither independently made nor negotiated at arm's length.

Compensation Committee. The Company established a Compensation Committee on October 5, 1999, which consists of two directors, Marc Hung and Ernest Cheung. The Compensation Committee will be responsible for reviewing general policy matters relating to compensation and benefits of directors and officers, determining the total compensation of its officers and directors.

Audit Committee. On August 31, 1999, the Board of Directors established an Audit Committee, which consists of two directors, Marc Hung and Ernest Cheung. The Audit Committee will be charged with recommending the engagement of independent accountants to audit Company financial statements, discussing the scope and results of the audit with the independent accountants, reviewing the functions of Company management and independent accountants pertaining to its financial statements and performing other related duties and functions as are deemed appropriate by the Audit Committee and the Board of Directors.

(f) Resolution of conflicts of interest

As mentioned earlier, some officers and directors will not devote more than a portion of their time to the affairs of the Company. There will be occasions when the time requirements of Company business conflict with the demands of their other business and investment activities. Such conflict may require that the Company attempt to employ additional personnel. There is no assurance that the services of such persons will be available or that they can be obtained upon terms favorable to the Company.

There is no procedure in place which would allow Company officers or directors to resolve potential conflicts in an arms-length fashion. Accordingly, they will be required to use their discretion to resolve them in a manner which they consider appropriate.

ITEM 10. EXECUTIVE COMPENSATION

(a) Officers' Compensation.

Compensation paid by the Company for all services provided up to December 31, 2001, (1) to each of the executive officers and (2) to all officers as a group.

SUMMARY COMPENSATION TABLE OF EXECUTIVES

Cash Compensation Security Grants

Name and Principal Position	Year	Salary	Bonus	Annual Compensation /Other($)	Restricted Stock Awards	Securities Underlying Options/ SARs(#) (SHARES)	Long Term Compensation/ Options	LTIP Payment
Xiao-qing Du								
President of	1998	20,000	0	0	0	0	0	0
Infornet	1999	27,474	0	16,000	0	1,068,000(3)	0	0
Subsidiary	2000	30,000	0	0	0	0	0	0
	2001	32,084	0	0	0	0	0	0
		(CDN)						
Marc Hung	1998	0	0	0	0	0	0	0
President	1999	0	0	17,500	0	262,000(2)	$4,500	0
	2000	0	0	29,500	0	0	0	0
	2001	0	0	60,000	0	0	0	0
				(CDN)				
Ernest Cheung	1998	0	0	0	0	0	0	0
Secretary	1999	0	0	8,000	0	435,000(1)	0	0
	2000	0	0	24,000	0	0	0	0
	2001	0	0	24,000	0	0	0	0
				(CDN)				
Officers as	1998	20,000	0	0	0	0		0
A Group	1999	27,474	0	41,500	0	1,765,000	0	0
	2000	30,000	0	53,500	0	0	0	0
	2001	32,084	0	84,000	0	0	0	0
		(CDN)		(CDN)				

(1)Ernest Cheung received 50,000 options to buy 50,000 shares at $1.30 per share, plus Richco Investors, Inc. of which Mr. Cheung is an officer and director, and Mr. Tsakok is an officer and director, received 385,000 units for its services in structuring the private placement. The "unit" is defined in Item 6 under "Liquidity and Capital Resources".

(2) 262,000 options to buy 262,000 shares at $1.30 per share.

(3) See Note (g) under "Stock purchase options" following Summary Compensation Tables of Directors.

There have been no Option/SAR grants or exercises in the last fiscal year reportable under Reg. S-B, 402(c) or (d).

(b) Directors' Compensation

Directors who are also officers of Xin Net Corp. receive no cash compensation for services as a director. However, the directors will be reimbursed for out-of-pocket expenses incurred in connection with attendance at board and committee meetings. The Company has granted options to directors under its Stock Incentive Plan subsequently adopted.

SUMMARY COMPENSATION TABLE OF DIRECTORS

(To December 31, 2001)

		Cash Compensation			Security Grants			
Name and Principal Position	Year	Annual retainer Fees ($)	Meeting Fees ($)	Consulting Fees/Other Fees($)	Number of Shares (#)	Securities Underlying Options/SARs(#) (SHARES)	LTIP Payments	Al Co
Xiao-qing Du, Director	1998	0	0	0	0	0	0	
	1999	0	0	0	0	1,068,000 (3)	0	
	2000	0	0	0	0	0	0	
	2001	0	0	0	0	0	0	
Jing Liang, Director (resigned in 1999)	1998	0	0	0	0	0	0	
	1999	0	0	0	0	0	0	
Marc Hung Director	1999	0	0	0	0	262,000 (2)	0	
	2000	0	0	0	0	0	0	
	2001	0	0	0	0	0	0	
Ernest Cheung, Director	1998	0	0	0	0	0	0	
	1999	0	0	0	0	435,000 (1)	0	
	2000	0	0	0	0	0	0	
	2001	0	0	0	0	0	0	
Maurice Tsakok Director	1999	0	0	14,000 CDN	0	647,000 (4)	0	
	2000	0	0	24,000 CDN	0	0	0	
	2001	0	0	24,000 CDN	0	0	0	
Directors as a group	1999	0	0	14,000 CDN	0	2,027,000	0	
	2000	0	0	24,000 CDN	0	0	0	
	2001	0	0	24,000 CDN	0	0	0	

(1) See note (1) under Compensation Table of Executives
(2) See note (2) under Compensation Table of Executives
(3) See note (3) under Compensation Table of Executives
(4) 262,000 options to buy 262,000 shares at $1.30 per share plus 385,000 units to Richco Investors, Inc. (See Note (3) under Compensation Table of Executives)

There have been no Option/SAR grants or exercises in the last fiscal year reportable under Reg. S-B, 402(c) or (d).

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No director, except for those who are also officers as listed above, received any compensation in 1998.

Termination of Employment and Change of Control Arrangements:

None.

Stock purchase options:

On February 26, 1999, stock options for a total of 480,000 shares at $.40 per share were granted to officers and employees (or persons who became officers) that had contributed to the success of the company in the past: Marc Hung (150,000 shares) and Xin Wei (330,000 shares) (Note: Mr. Wei is not an officer of Xin Net Corp., but an employee and officer of its subsidiary, Infornet Investment Corp.) All share options were exercised as of April 6, 1999.

On November 12, 1999 the Company granted 2,136,000 options to purchase shares at $1.30 per share to entities/persons who contributed to the successful results achieved by the Company in 1999, as follows:

(a) 262,000 options to Gemsco Management Ltd., beneficially Maurice Tsakok, for designing and implementing the Company's corporate website, advising on technological matters, researching the technology sector and for services as a director;
(b) 262,000 options to Farmind Link Corp. for their role as advisor on strategic issues, technology market trends, and financial and capital market issues;
(c) 262,000 options to Sinhoy Management Ltd., beneficially Marc Hung, for their contributions to the general management of our company, investor relations, technological matters and for services as a director;
(d) 212,000 options to Lancaster Pacific Investment, Ltd. for their contributions in the areas of regulatory matters, Chinese market conditions and strategies aimed at penetrating that market;
(e) 50,000 options to Ernest Cheung for services rendered as secretary and director;
(f) 20,000 options to Yonderiche International Consultants Ltd. for services rendered in matters regarding Chinese government policies and regulations; and
(g) 1,068,000 options to Weststar Holdings Limited (owned beneficially by Xiao-qing Du, a director and president of Infornet Investment Corp.,

and Xin Wei, a director and secretary of Infornet Investment Corp. and President of Xin Hai) and employees of Xin Hai Technology Development Ltd., as a group, for the successful continued development of the business in China and achieving excellent operational results during the year. The breakdown of the 1,068,000 options is to be determined at a later date.

The average closing price of the Company's stock for the five trading days ended on November 12, 1999 was $1.28 per share. The closing price for the Company's stock on November 12, 1999 was $1.187 per share.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Section 16(a) of the Securities Exchange Act of 1934, as amended (The "Exchange Act"), requires Company officers and directors, and persons who own more than 10% of a registered class of the its equity securities, to file reports of ownership and changes in ownership of Company equity securities with the Securities and Exchange Commission and NASDAQ. Officers, directors and greater-than 10% shareholders are required by the Securities and Exchange Commission regulation to furnish to the Company with copies of all Section 16(a) that they file.

(a) Beneficial owners of five percent (5%) or greater, of Company common stock: The following sets forth information with respect to ownership by holders of more than five percent (5%) of its common stock known by the Company based upon 21,360,010 shares outstanding at March 31, 2002, and in the event of exercise of all options for our stock.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Interest	Percent of Class
Common Stock	Xiao-qing Du #2754 Adanac St. Vancouver, BC V5K 2M9	2,760,000 (2)	12.9%
Common Stock	Richco Investors, Inc. Ste. 830-789 West Pender St. Vancouver, BC V6C 1H2	5,611,500 (1)(3)(9)(10)	26.2%
Common Stock	Ernest Cheung Ste. 830-789 West Pender St. Vancouver, BC V6C 1H2	5,349,500 (1)(3)(5)(8)(9)(10)	25.0%
Common Stock	Maurice Tsakok Ste. 830-789 West Pender St. Vancouver, BC V6C 1H2	4,991,500 (1)(3)(6)(10)	23.3%

(b) The following sets forth information with respect to the Company common stock beneficially owned by each Officer and Director, and by all Directors and Officers as a group, at March 31, 2002, and in the event of exercise of all options for our stock.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Interest	Percent of Class
Common Stock	Xiao-qing Du (Director) 2754 Adanac St. Vancouver, B.C. V5K 2M9	2,760,000 (2)	12.9%
Common Stock	Ernest Cheung (Secretary & Director) (Including Richco Investors above)	5,611,500 (1)(3)(5)(8)(10)	26.2%
Common Stock	Maurice Tsakok (Director) (Including Richco Investors above)	5,611,500 (1)(3)(6)(10)	26.2%
Common Stock	S.Y. Marc Hung (President & Director) Ste. 830-789 W. Pender St. Vancouver B.C. V6C 1H2	540,000 (4)(7)(10)	2.5%
Total for officers and directors as a group		8,911,500	41.7%

(1) Richco Investors, Inc., owns 2,559,500 shares. Messrs. Cheung and Tsakok are officers, directors and beneficial owners of Richco Investors Inc. For purposes of this table, the shares owned by Richco are deemed owned by Mr.Cheung and Mr. Tsakok, individually.

(2) As an officer Ms. Du may participate in the company stock option plan and receive options to purchase shares, but the amount is indeterminate at this time, since options are awarded by the Award Committee.

(3) Richco Investors has 1,085,000 "A" warrants to purchase shares of common stock and has 1,085,000 "B" warrants to purchase shares of common stock *.

(4) Marc Hung has 80,000 "A" warrants to purchase shares of common stock and he has 80,000 "B" warrants to purchase shares of common stock.*

(5) Ernest Cheung has 50,000 options to purchase shares at $1.30.

(6) Maurice Tsakok has 262,000 options to purchase shares at $1.30.

(7) Marc Hung has 262,000 options to purchase shares at $1.30.

(8) Ernest Cheung is President of Development Fund II of Nova Scotia, Inc. which owns 190,000 common shares and 190,000 "A" warrants and 190,000 "B" warrants.

(9) Includes all shares of Richco Investors, Inc., Ernest Cheung, Maurice Tsakok, and Development Fund II of Nova Scotia since there is common control.

(10) Assumes exercise of all warrants and options within 60 days pursuant to Rule 13(d)3(d)(i).

*If all "A" warrants for units are exercised. **If all "B" warrants for shares are exercised.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has made loans to the Placer joint venture during the year 2001. These loans bear 0% interest and are payable on demand. At December 31, 2001 the cumulative amount of the loans was $3,138,231.

On February 26, 1999, stock options for a total of 1.4 million shares at $.40 per share were granted to parties that had contributed to the efforts of the company in the past. The option recipients were Lancaster Pacific Investment Ltd., Tandoor Holdings Limited, Marc Hung, Kun Wei and Xin Wei. All 1.4 million share options were exercised as of April 6, 1999.

(1) Tandoor Holdings was instrumental in the formation of the company. It prepared the original business plan for Xin Hai Technologies and helped in the structuring of the Xin Hai/Infornet joint venture. It also helped in presentations to potential investors.

(2) Lancaster Pacific introduced the Shenyang office team to Xin Hai and contributed to the establishment of the Company's second operating location. It also helped in the design of the accounting and management information systems for Xin Hai.

(3) In February 1999, Marc Hung, who was neither an officer nor director but since has become President and Director, was granted and exercised (in March, 1999) an option to purchase 150,000 shares of common stock at $.40 per share. The option to purchase shares was granted to him for services rendered since July 1998 as Company advisor in matters relating to management, technology and strategies.

(4) In February 1999, Kun Wei, a shareholder, was granted and exercised (in March 1999) an option to purchase 330,000 shares of common stock at $.40 per share. The option to purchase shares was granted to him for contributing to the success of the joint venture, in particular with regards to technology development and implementation.

(5) In February 1999, Xin Wei, a shareholder, who is President of Xin Hai Technology Development, Ltd.,the Placer joint venture partner, was granted and exercised (in March 1999) an option to purchase 330,000 shares of common at $.40 per share. The option to purchase shares was granted to him

for contributing to the success of the joint venture, in particular with regards to general management of Xin Hai Technology Development Ltd., business development and governmental relations.

(6) In May 1999, Marc Hung, President and Director, purchased 80,000 units of the private placement at the $1.00 offering price. Richco Investors, Inc., a public company of which both Messrs. Ernest Cheung and Maurice Tsakok are directors, officers and shareholders, purchased 700,000 units in the private placement at $1.00 per unit in May 1999.

On September 17, 1999 385,000 units were issued to Richco Investors, Inc. as a consulting fee for services rendered in structuring the unit placement in May 1999. Richco Investors is an affiliate of Xin Net Corp. through share ownership, and Ernest Cheung and Maurice Tsakok are officers and directors of Richco. Mr. Cheung is the Secretary and a Director, and Mr. Tsakok is a Director Xin Net Corp.

PART IV

ITEM 13. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules. The following financial statements and schedules for Xin Net Corp. as of December 31, 2001 are filed as part of this report.

(1) Financial statements of Xin Net Corp. (formerly Placer Technologies, Inc.) and subsidiaries.

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(2) Financial Statement Schedules:

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

EXHIBITS:

10.11 Share Purchase Agreement (Incorporated by reference)
Previously filed 8K 12/24/01
10.1 Investment Banking Agreement (Incorporated by reference)
Previously filed 8K 11/28/01
10.1 Share Exchange Agreement (Incorporated by reference)
Previously filed 8K 10/03/01
3.2 Amended Bylaws (Incorporated by reference)
Previously filed 8K 8/15/01
10.1 Letter of Intent (Incorporated by reference)
Previously filed 8K 8/03/01
10.1 Assets Transfer Agreement (Incorporated by reference)
Previously filed 8K7/12/01

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: April 8, 2002

XIN NET CORP.

by:/s/Marc Hung

Marc Hung, President

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ S.Y. Marc Hung ------------------ S.Y. Marc Hung	President, Director and Principal Accounting Officer	April 8, 2002
/s/Ernest Hung ----------------- Ernest Cheung	Secretary, Director and Principal Financial Officer	April 8, 2002
/s/Xiao-qing Du ----------------- Xiao-qing Du	Director	April 8, 2002
Maurice Tsakokm ---------------- Maurice Tsakok	Director	April 8, 2002

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Xin Net Corp.

We have audited the consolidated balance sheets of Xin Net Corp. (a Florida corporation) and Subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Xin Net Corp. and Subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Clancy and Co., P.L.L.C.

Clancy and Co., P.L.L.C.
Phoenix, Arizona

March 20, 2002

XIN NET CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

ASSETS	2001	200
Current Assets		
Cash and Cash Equivalents	$ 1,360,071	$ 2,6
Investments (Note 4)	64,077	
Accrued Interest Receivable (Note 4)	701	
Loan to ProtectServe Pacific Ltd. (Note 2)	360,400	
Inventory (Note 5)	5,985	
Prepaid Expenses and Other Current Assets	183,188	2
Net Assets of Discontinued Operations (Note 8)	293,341	3
Deferred Costs (Note 1)	571,678	4
Total Current Assets	2,839,441	3,6
Property and Equipment, net (Note 6)	714,171	7
Goodwill (Note 2)	200,000	
Total Assets	$ 3,753,612	$ 4,4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 683,828	$ 5
Deferred Revenue (Note 1)	1,861,700	1,6
Security Deposit (Note 8)	500,000	
Capital Lease Obligation (Note 7)	58,840	
Total Current Liabilities	3,104,368	2,2
Capital Lease Obligation, Noncurrent Portion	-	
Total Liabilities	3,104,368	2,3
Commitments and Contingencies (Note 7, 8, 13)		
Stockholders' Equity		
Common Stock: $0.001 Par Value, Authorized 50,000,000; Issued and Outstanding: 21,360,010	21,360	

Additional Paid In Capital	7,214,045	7,2
Accumulated Deficit	(6,437,572)	(4,9
Accumulated Other Comprehensive Loss	(148,589)	(1
Total Stockholders' Equity	649,244	2,1
Total Liabilities and Stockholders' Equity	$ 3,753,612	$ 4,4

The accompanying notes are an integral part of these financial statements

XIN NET CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Year Ended December 31:	2001	2000
Revenues		
Domain Name Registration	$ 2,513,724	$ 8
E-Solutions	1,053,847	1,0
Total Revenues	3,567,571	1,9
Cost of Revenues		
Domain Name Registration	1,132,846	4
E-Solutions	59,059	3
Total Cost of Revenues	1,191,905	7
Gross Margin	2,375,666	1,1
General and Administrative Expenses		
Advertising and Promotion	338,700	1,1
Depreciation and Amortization	218,289	1
General and Administrative	1,200,541	1,2
Salaries, Wages and Benefits	1,449,304	7
Telephone and Communication	348,277	3
Total General and Administrative Expenses	3,555,111	3,5
Operating Loss	(1,179,445)	(2,41
Other Income		
Interest Income	53,162	1
Other Income	18,031	
Total Other Income	71,193	1

Loss from Continuing Operations	(1,108,252)	(2,25
Loss on Discontinued Operations (Note 8)	(402,651)	(1,34
Net Loss Available to Common Stockholders	$(1,510,903)	$ (3,60
Loss Per Share Attributable to Common Stockholders:		
Loss from Continuing Operations	$ (0.05)	$
Loss from Discontinued Operations	(0.02)	
Total Basic and Diluted	$ (0.07)	$
Weighted Average Number of Common Shares Outstanding:		
Basic and Diluted	21,360,010	21,3

The accompanying notes are an integral part of these financial statements

XIN NET CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Accumu Oth Compreh Income
Balance, December 31, 1999	21,360,000	$ 21,360	$ 7,214,025	$ (1,318,945)	$ (1
Exercise of Warrant for Cash at $2.00 Per Share in September 2000	10	-	20		
Net Loss				(3,607,724)	
Translation Adjustments	-	-	-	-	(
Balance, December 31, 2000	21,360,010	21,360	7,214,045	(4,926,669)	(1
Net Loss				(1,510,903)	
Translation Adjustments	-	-	-	-	
Balance, December 31, 2001	21,360,010	$ 21,360	$ 7,214,045	$ (6,437,572)	$ (1

The accompanying notes are an integral part of these financial statements.

XIN NET CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Year Ended December 31:	2001
Cash Flows From Operating Activities	
Net Loss	$ (1,510,903)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities	
Depreciation and Amortization	259,345
Translation Adjustments	3,667
Write-off of Organization Costs	-
Changes in Assets and Liabilities	
(Increase) Decrease in Accrued Interest Receivable	5,930
(Increase) Decrease in Prepaid Expenses and Other Current Assets	32,879
(Increase) Decrease in Inventory	30,171
(Increase) Decrease in Deferred Costs	(106,493)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	172,135
Increase (Decrease) in Deferred Revenue	211,420
Increase (Decrease) in Security Deposit	500,000
Total Adjustments	1,109,054
Net Cash Flows Used In Operating Activities	(401,849)
Cash Flows From Investing Activities	
Purchase of Property and Equipment	(169,159)
Reduction (Purchase) in Investment	(62,744)
Loan to ProtectServe Pacific Ltd.	(360,400)
Goodwill on Purchase of Investment	(200,000)
Net Cash Flows Used In Investing Activities	(792,303)
Cash Flows From Financing Activities	
Principal Payments on Capital Lease Obligations	(65,065)
Proceeds from Exercise of Warrants	-
Net Cash Flows Provided By Financing Activities	(65,065)
Decrease in Cash and Cash Equivalents	(1,259,217)
Cash and Cash Equivalents, Beginning of Year	2,619,288
Cash and Cash Equivalents, End of Year	$ 1,360,071
Cash paid for:	
Interest	$ 11,949
Income Taxes	-

The accompanying notes are an integral part of these financial statements.

XIN NET CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business. Xin Net Corp. ("the Company") was incorporated under the laws of the State of Florida on September 12, 1996 with an authorized capital of 50,000,000 shares of $0.001 par value common stock. The Company provides Internet-related services, including Internet access and content services, domain name registration, web-hosting and other value-added services, such as e-commerce and advertising in six major cities in the Peoples Republic of China ("PRC"): Beijing, Shanghai, Shenyang, Chengdu, Guangzhou and Nanjing.

Summary of Significant Accounting Policies.

Accounting Method - The Company's financial statements are prepared using the accrual method of accounting.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash equivalents consists of time deposits with original maturities of three months or less.

Investments - The Company determines the appropriate classification of marketable debt and equity securities at the time of purchase and reevaluates such designation as of each balance sheet date. All marketable debt securities are classified as held-to-maturity and are carried at amortized cost, which approximates fair value.

Concentration of Credit Risk - The Company maintains Renminbi cash balances in banks of the People's Republic of China and U.S. Dollar cash balances in Canadian banks, that are not insured. Revenues were derived in geographic locations outside the United States from the joint venture operations in China. No customer accounted for more than 10% of the Company's revenues.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. The Company also consolidates the assets, liabilities, revenues and expenses of the joint venture because it has control over its operating and financing decisions. All significant intercompany transactions and balances have been eliminated in consolidation.

Allowance for Doubtful Accounts and Return Allowances - Accounts receivable are shown net of allowances for doubtful accounts and returns which are estimated as a percentage of accounts receivable based on prior year's experience.

Inventory - Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

Property and Equipment - Property and equipment, stated at cost, is depreciated under the straight-line method over their estimated useful lives, ranging from three to seven years.

Long-Lived Assets - The Company records impairment losses on long-lived assets used in operation when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

Revenue Recognition - The Company's revenue is primarily derived from the sale of nonrefundable subscription services (Internet access usage cards and content services), domain name registration services and e-solutions.

(1) Revenue derived from Internet access usage cards and content services and domain name registration services is recognized over the period the services are provided. Until July 1, 2000, the Company acted as an agent of certain accredited registrars of the Internet Corporation for Assigned Names and Numbers ("ICANN") and remitted to these registrars an agreed-upon fixed portion of the fees collected for registering international .com, .net and .org domain names. Such domain name revenue was recognized when collected and on a net commission basis. As of July 1, 2000, the Company itself became a fully operational ICANN-accredited registrar.

(2) The e-solutions revenue consists principally of electronic commerce, software development and developing web-site home pages. Revenue is recognized as the services are performed or when the goods are delivered.

(3) The Company also provides consultation and training services as part of its promotional and advertising packages, but no revenues have been derived or recorded from such services.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB101"), "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation and disclosure of revenue in financials filed with the SEC. SAB101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. It also requires companies to report any changes in revenue recognition as a cumulative change in accounting principle at the time of implementation in accordance with Accounting Principles Board Opinion No. 20, "Accounting Changes." As amended by SAB101A and SAB101B, the Company is required to follow this guidance no later than the fourth fiscal quarter of the fiscal year ended December 31, 2001. The Company implemented SAB101 during the first quarter of 2000, which did not have a material effect on the Company's results of operations or financial position.

XIN NET CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

Cost Recognition - Costs of revenue includes direct costs to produce products and provide on-line services.

Deferred Revenue and Deferred Cost - Deferred revenue consists primarily of prepaid subscription agreements and domain name registration fees. End users receive certain elements of the Company's revenues over a period of time. As a result, the Company's revenue recognized represents the fair value of these elements over the product's life cycle. Deferred cost consists primarily of amounts paid to various Registrars for domain name registration fees and are deferred on the same basis as revenue.

Advertising Costs - Advertising costs are expensed as incurred. Total advertising costs charged to operations for 2001 and 2000 was $880,661 and $2,342,360, respectively.

Product Development Costs - In accordance with American Institute of Certified Public Accountant's ("AICPA") Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," computer software costs incurred in the preliminary project stage, such as direct labor and related overhead, and purchased software and computer equipment from third parties, are expensed as incurred. Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed," does not materially affect the Company.

Start-up Costs - The Company accounts for start-up and organization costs for financial statement purposes in accordance with AICPA SOP 98-5, "Reporting on the Costs of Start-up Activities," which provides guidance on the financial reporting of start-up costs and organization costs and requires such costs to be expensed as incurred. For income tax purposes, the Company has elected to treat its organizational costs as deferred expenses and amortize them over a period of sixty months, beginning in the first month the Company is actively in business.

Income Taxes - The Company accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred income tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary, to reduce deferred income tax assets to the amount expected to be realized.

Foreign Currency Translations - The assets and liabilities of the Company's foreign operations are generally translated into U.S. dollars at current exchange rates, and revenues and expenses are translated at average exchange rates for the year. Resulting translation adjustments are reflected as a separate component of stockholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions which operate as a hedge of an identifiable foreign currency commitment or as a hedge of a foreign currency investment position, are included in the results of operations as incurred.

XIN NET CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

Fair Value of Financial Instruments - For certain of the Company's financial instruments, including cash and cash equivalents, marketable debt securities, deferred costs and deferred revenues, the carrying amounts approximate fair value due to their short maturities.

Business Segment Information - The Company discloses information about its reportable segments in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's reportable segments are geographic areas that provide Internet related services. The accounting policies of the operating segments are the same as those for the Company.

Earnings Per Share - Basic earnings or loss per share is based on the weighted average number of common shares outstanding. Diluted earnings or loss per share is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic earnings/loss per share is computed by dividing income/loss (numerator) applicable to common stockholders by the weighted average number of common shares outstanding (denominator) for the period. All earnings or loss per share amounts in the financial statements are basic earnings or loss per share, as defined by SFAS No. 128, "Earnings Per Share." Diluted earnings or loss per share does not differ materially from basic earnings or loss per share for all periods presented. Convertible securities that could potentially dilute basic earnings per share in the future such as options and warrants are not included in the computation of diluted earnings per share because to do so would be antidilutive. All per share and per share information are adjusted retroactively to reflect stock splits and changes in par value.

Stock-Based Compensation - The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Compensation cost for stock options, if any, is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. SFAS No.123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Company has elected to remain on its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123.

In March 2000, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44 ("FIN44"), "Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB Opinion No. 25." FIN44 is generally effective for transactions occurring after July 1, 2000, but applies to repricings and some other transactions after December 14, 1998. FIN44 has no effect on the Company's consolidated financial statements.

Comprehensive Income - The Company includes items of other comprehensive income by their nature, such as translation adjustments, in a financial statement and displays the accumulated balance of other comprehensive income separately from retained earnings and additional paid in capital in the equity section of the balance sheet.

XIN NET CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

Capital Structure - The Company discloses its capital structure in accordance with SFAS No. 129, "Disclosure of Information about Capital Structure," which established standards for disclosing information about an entity's capital structure.

Accounting for Derivative Instruments and Hedging Activities - In June 1998, the FASB issued SFAS No. 133. "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138, which requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. SFAS No. 133 requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains or losses to offset related results of operations in the income statement, and requires companies to formally document, designate, and access the overall effectiveness of transactions that receive hedge accounting. The implementation of the standards has no effect on the Company's financial statements.

Reclassification - Certain prior period amounts have been reclassified to conform to the current year presentation. These changes had no effect on previously reported results of operations or total stockholders' equity.

Recent Accounting Pronouncements - The FASB issued the following pronouncements during 2001, none of which are expected to have a significant affect on the financial statements:

"Business Combinations." SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting. SFAS No. 141 also changes the criteria for the separate recognition of intangible assets acquired in a business combination. SFAS No. 141 requires companies to recognize acquired identifiable intangible assets separately from goodwill if control over the future economic benefits of the asset results from contractual or other legal rights or the intangible asset is capable of being separated or divided and sold, transferred, licensed, rented or exchanged. The standards require the value of a separately identifiable asset meeting any of the above criteria to be measured at fair value. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001.

"Goodwill and Other Intangible Assets." SFAS No. 142 requires companies to cease amortizing goodwill acquired through business combinations. However, SFAS No. 142 requires that companies assess acquired goodwill for impairment upon adoption of the statement, and at least annually, at the lowest individual reporting unit level that can be distinguished, physically and operationally, for internal reporting purposes, from the other activities, operations, and assets of the entity, utilizing a two-step approach. SFAS No. 142 is required to be applied in fiscal years beginning after December 15, 2001, to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS No. 142 requires companies to complete a transitional goodwill impairment test within six months of the date of adoption. The companies are also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of the standards. The Company will adopt the standards in the fiscal year beginning January 1, 2002.

"Accounting for Asset Retirement Obligations." SFAS No. 143 effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company will adopt the provisions of this statement from the fiscal year starting on January 1, 2002.

"Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business", for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less costs to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. This statement also broadens the reporting of discontinued operations.

Pending Accounting Pronouncements - It is anticipated that current pending accounting pronouncements will not have an adverse impact on the financial statements of the Company.

NOTE 2 - SUBSIDIARIES

(1) The Company's wholly-owned subsidiaries are as follows:

a. Infornet Investment Limited (a Hong Kong corporation) ("Infornet HK") is a telecommunication and management network company providing financial resources and expertise in telecommunication projects. This subsidiary was originally incorporated as Micro Express Limited and was acquired at no cost. The name was changed to Infornet Investment Limited on July 18, 1997.

b. Infornet Investment Corp., (a Canadian corporation) ("Infornet Canada") is engaged in a similar line of business of the Company. The Company issued 5,000,000 shares of common stock to acquire this subsidiary for a total value of $65, representing organizational costs and filing fees.

c. Xinbiz (HK) Limited (a Hong Kong corporation) ("Xinbiz Ltd.") and Xinbiz Corp. (a British Virgin Islands corporation)("Xinbiz Corp.") were newly formed entities by the Company on March 10, 2000 and January 14, 2000, respectively. Both subsidiaries were inactive during 2001.

(2) The Company has one majority-owned subsidiary, The Link Group, Inc. (formerly known as World Envirotech, Inc.) ("Link"). Pursuant to a Share Exchange Agreement dated December 20, 2001, the Company paid $200,000 cash for 3,882,700 shares of Link representing a 71.87% majority ownership interest and accounted for the acquisition under the purchase method of accounting. The Company accounts for the remaining 28.13% interest in Link as minority interest

in the accompanying consolidated financial statements. As of December 31, 2001, Link had no assets or liabilities and therefore, the corresponding minority interest value is equal to zero. Goodwill represents the cost in excess of the net assets acquired of Link. Management periodically reviews goodwill for impairment.

Link is a development stage company traded on the NASDAQ as an over-the-counter bulletin board company. Subsequent to year-end, Link completed a Share Exchange Agreement dated January 21, 2002 and agreed to purchase all of the issued and outstanding shares of Protectserve Pacific Ltd. (a Hong Kong company) ("PSP"). As of December 31, 2001, the Company had advanced $360,400 to PSP, which was repaid by PSP in January 2002. See Note 16.

NOTE 3 - JOINT VENTURE

On August 25, 1997, through its wholly-owned subsidiary Infornet HK, under the laws of the People's Republic of China ("PRC"), the Company formed an 80% cooperative joint venture called Xinnet Telecom Corp., Ltd. (a PRC corporation) with Xin Hai Technology Development Ltd. (a PRC Corporation) ("Xin Hai") as a 20% partner, for a term of twenty (20) years. Infornet HK is obligated to contribute all of the capital of the joint venture. The initial registered capital was $525,000 and was subsequently increased by $1,000,000 by an amendment to the joint venture agreement dated December 15, 1999, for a total registered capital of $1,525,000. The total registered capital was increased to $1,750,000 during 2000. Infornet HK has already contributed this figure and no further capital contribution is required. Infornet HK continues to advance loans to the joint venture as necessary to fund the operations of the business.

The joint venture agreement designated distribution of 80% of the profits to Infornet HK and 20% to Xin Hai, until the recoupment of Infornet HK's invested capital. On April 25, 2000, the Company amended the joint venture agreement to reallocate the distribution of profits as 100% to Infornet HK and 0% to Xin Hai, until Infornet HK's total investment in the joint venture has been fully recovered by Infornet HK. On April 13, 2000, the joint venture agreement was amended to give Infornet HK control over the joint venture for another fifteen (15) years after the recovery of its total investment and interest from external financing in the joint venture. Infornet HK has, since inception of the joint venture, and will in the future for fifteen years subsequent to the recovery of total investment and interest from external financing, approve all board of directors of the joint venture company. Due to the life of the joint venture, twenty (20) years, Infornet HK will control the joint venture for substantially all of the joint venture life.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 94, "Consolidation of All Majority-Owned Subsidiaries," the purchase method is used to account for the investment in the joint venture because the joint venture company's board of directors is authorized to make all major decisions for

the joint venture and all the directors of the board are approved by the Company. Therefore, until this point, 100% of the profits and losses are consolidated and no minority interest is recorded. Total advances to the joint venture as of December 31, 2001 and 2000 were $3,138,231 and $2,877,184, respectively.

The Company operates in accordance with the laws and regulations in the PRC, which allow Sino-foreign joint venture companies to construct Internet access networks and to have ownership rights, and rights for return on investment, but disallow joint venture companies to operate such networks. Internet Service Provider ("ISP") licenses are tightly controlled by the Ministry of Information Industry of China and provide a substantial barrier to entry. Therefore, Xin Hai holds the business, including all ISP operating licenses, industrial property rights, and network. The ownership and title to all of the assets comprising the Internet network remain with the Company during the term of the joint venture. Xin Hai is entitled to the custody and control of such assets on behalf of the Company. In June 2001, the Board of Directors of the Company decided to discontinue the unprofitable ISP services in the PRC. See Note 8 for further details.

NOTE 4 - INVESTMENTS AND ACCRUED INTEREST RECEIVABLE

All marketable debt securities are classified as held-to-maturity and carried at amortized cost. Their estimated fair values approximated their amortized cost and therefore, there were no significant unrealized gains or losses.

Investments at December 31, 2001 consisted of two Canadian Guarantee Investment Certificates ("GIC"). The first GIC was purchased for $2,000 Canadian Dollars, or $1,256 U.S. Dollars, with a maturity date of April 12, 2002, and the second GIC was purchased for $100,048 Canadian Dollars, or $62,821 U.S. Dollars, with a maturity date of September 9, 2002. Accrued interest receivable at December 31, 2001 was $589.

Investments at December 31, 2000, consisted of one GIC purchased for $2,000 Canadian Dollars, or $1,333 U.S. Dollars, with a maturity date of April 12, 2001. Accrued interest receivable at December 31, 2000 was $41.

Total short-term deposits held at December 31, 2001 and 2000 were $300,000 and $1,442,164, respectively. Accrued interest on short-term deposits was $112 and $6,590, respectively.

NOTE 5 - INVENTORY

Inventory at December 31, 2001 and 2000 was $5,985 and $36,156, respectively, and consisted of computer accessories and supplies.

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NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2001	2000
Office Equipment	$ 229,349	$ 230,809
Equipment	757,625	659,973
Computer Software	83,299	83,156
Furniture	27,976	28,912
Total	1,098,249	1,002,850
Less Accumulated Depreciation	(384,078)	(232,088)

Net Book Value	$ 714,171	$ 770,762

Depreciation charged to expense during the year ended December 31, 2001 and 2000 was $259,171 and $232,620, respectively.

NOTE 7 - CAPITAL LEASE OBLIGATION

The Company leases computer equipment through its wholly-owned subsidiary, Infornet Canada for a term of thirty-six (36) months at approximately $5,719 (Canadian $8,407) per month, payable in advance, through June 30, 2002. The liability includes imputed interest at an average rate of 6.12% per annum. Before the end of the initial lease term, the Company has the following options upon one month's written notice: return the leased items, purchase the leased items, or renew the lease. The initial lease term will automatically extend on a month-to-month basis, under the same terms, until canceled by either party upon one month's written notice. Total minimum lease payments for the year ended December 31, 2001 are $60,378 less $1,538 representing interest for a total present value of minimum lease payment of $58,840.

NOTE 8 - DISCONTINUED OPERATIONS

The Board of Directors of the Company decided to discontinue the unprofitable ISP services in the PRC. The Company's joint venture partner, Xin Hai, signed an agreement on June 22, 2001 to sell its ISP operation and related assets to a private company in Beijing, PRC for sales proceeds of $700,000. The agreement is subject to payments being made by the other party at specified dates and to Company shareholders' approval. The net assets classified as held for sale have been grouped on the accompanying consolidated balance sheet as Net Assets of Discontinued Operations, including reclassification of the prior year for comparative purposes. As of December 31, 2001, $500,000 has been received as a security deposit for the transaction.

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The estimated gain on disposal of the ISP services, together with the related assets and liabilities to be disposed, is as follows:

Sales proceeds		$ 700,000
Less:	Capital assets	(320,771)
	Accounts receivable	(289,944)
Add:	Deferred revenue	317,374
Gain on disposal of ISP business		$ 406,659

The results of the discontinued ISP operations for the years ended December 31, 2001 and 2000 are as follows:

	2001	2000

Revenue	$ 859,336	$ 1,777,468
Operating Costs	(1,261,987)	(3,126,749)
Net loss	$ (402,651)	$ (1,349,281)

NOTE 9 - INCOME TAXES

There is no current or deferred tax expense for the years ended December 31, 2001 and 2000, due to the Company's loss position. The Company has fully reserved for any benefits of these losses. The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, as appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carryforward period. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes. The income tax effect of temporary differences comprising the deferred tax assets and deferred tax liabilities on the accompanying consolidated balance sheets is a result of the following:

Deferred Taxes	2001	2000
Net Operating Loss Carryforwards	$ 368,201	$ 269,996
Valuation Allowance	(368,201)	(269,996)
Net Deferred Tax Assets	$ 0	$ 0

The net change in the valuation allowance for 2001 and 2000 was an increase of $98,205 and $71,588, respectively, and are principally the result of net operating loss carryforwards.

A reconciliation between the statutory federal income tax rate (34%) and the effective income rate of income tax expense for the year ended December 31, 2001 and 2000 is as follows:

Statutory Federal Income Tax Rate	(34.0) %	(34.0) %
Valuation Allowance	34.0 %	34.0 %
Effective Income Tax Rate	0.0 %	0.0 %

The Company has available net operating loss carryforwards of approximately $1,000,000 for tax purposes to offset future taxable income, which expire through 2021. All of the net operating loss carryforwards were generated by the parent company. The Company does not file a consolidated tax return because all of its subsidiaries are foreign corporations.

Pursuant to the Tax Reform Act of 1986, annual utilization of the Company's net operating loss carryforwards may be limited if a cumulative change in ownership of more than 50% is deemed to occur within any three-year period.

NOTE 10 - SEGMENT AND GEOGRAPHIC DATA

The Company's reportable segments are geographic areas that provide Internet related services to the Chinese markets. Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes corporate related items, and, as it relates to segment profit (loss), income and expense not allocated to reportable segments.

	China	Canada	Other
December 31, 2001			
Revenue	$ 3,567,571	$ -	$
Operating Income (Loss)	(906,140)	(20,790)	(252
Total Assets	2,671,506	25,304	1,05
Capital Expenditures	95,399	-	
Depreciation/Amortization	215,871	230	
Interest Income	10,023	8	4
Loss From Discontinued Operations	(316,656)	(6,541)	(79
December 31, 2000			
Revenue	$ 1,902,290	$ -	$
Operating Income (Loss)	(2,216,139)	(15,594)	(180
Total Assets	2,751,046	22,846	1,69
Capital Expenditures	879,233	-	
Depreciation/Amortization	147,556	228	
Interest Income	3,068	56	15
Loss From Discontinued Operations	(1,155,470)	(13,091)	(180

NOTE 11 - STOCK OPTIONS

The Company granted incentive stock options exercisable during 1999 to certain directors, officers, and employees of the Company who contributed services to the Company. The status of options granted during the period are as follows: Options outstanding at December 31, 2001 and 2000 were 2,136,000 with an option price of $1.30. The weighted average exercise price of the options outstanding and exercisable is $1.30 and the weighted average remaining contractual life is 2.9 years. The Company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No.

25, "Accounting for Stock Issued to Employees," under which no compensation cost for stock options is recognized for stock options awards granted at or above fair market value.

Had compensation expense for the Company's stock-based compensation plans been determined under FAS No. 123, based on the fair market value at the grant dates, the Company's pro forma net loss and pro forma net loss per share would have been reflected as follows at December 31:

Net Loss	2001	2000

As reported	$ (1,510,903)	$ (3,607,024)
Pro forma	$ (1,633,661)	$ (3,729,782)
Net Loss Per Share		
As reported	$ (0.07)	$ (0.17)
Pro forma	$ (0.08)	$ (0.17)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumption used for those options granted during 1999: dividend yield of 0%, expected volatility of 217%, risk-free interest rate of 5%, and an expected life of 5 years.

NOTE 12 - WARRANTS

The Company issued 5,500,000 Series A warrants as part of the unit private placement in May 1999. Each Series A warrant entitles the holder to purchase, on or before March 31, 2001, one (1) additional unit at a price of $2.00 per unit, each unit consisting of one (1) common share and one (1) Series B warrant. The Series B warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $5.00 per share on or before March 31, 2002.

The Company also issued 385,000 Series A warrants as part of the unit private placement in May 1999 to Richco Investors, Inc. for services rendered in structuring and arranging the private placement. Each warrant entitles the holder to purchase, on or before March 31, 2001, one (1) additional unit at a price of $2.00 per unit, each unit consisting of one (1) common share and one (1) Series B warrant. The Series B warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $5.00 per share on or before March 31, 2002.
The warrants were not valued because the exercise price of the warrants exceeded the fair market value of the common stock at the date of issuance.

On September 29, 2000, ten (10) Series A warrants were exercised at a price of $2.00 per share, or $20. As of the date of issuance of these financial statements, 5,884,990 Series A warrants are outstanding. On March 15, 2001, the Board of Directors of the Company adjusted the exercise price of the 5,884,990 Series A warrants outstanding to $1.00 per unit and extended their term to the earlier of March 31, 2003, or the 90th day after the day on which the weighted average trading price of the Company's shares exceeds $1.25 per share for ten (10) consecutive trading days. Additionally, the exercise price of the Series

B warrants was adjusted to $1.50 each and the term extended to the earlier of March 31, 2004 or one year after the occurrence of the 90th day after the day on which the weighted average trading price of the Company's shares exceeds $1.25 per share for ten (10) consecutive trading days.

NOTE 13 - COMMITMENTS

Operating leases - The Company leases office space under various operating leases expiring through August 14, 2004. Total rent expense charged to operations during 2001 and 2000 was $204,352 and $430,367 respectively. Future minimum rental commitments are as follows :

Year	Amount

2002	$162,606
2003	25,182
2004	16,573

Standby Letter of Credit - The Company issued a standby letter of credit in the sum of $100,000 as a security deposit to a domain name registrar in June 2000. The standby letter of credit was secured by the same amount of fixed deposit maintained at a bank and expired on December 31, 2001. No renewal was made.

Consulting Agreements - The Company receives services provided by certain individuals under various consulting agreements, which have an initial term of one year with automatic one year renewals unless terminated by either party with thirty (30) days written notice. Future commitments for 2002 are approximately $103,000.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company charged approximately $104,753 and $46,000 during year 2001 and 2000, respectively, for consulting fees paid to certain individuals who are also officers or directors of the Company.

NOTE 15 - MAJOR CONTRACTS

On January 31, 2000, the Company entered into an agreement with SINA Internet Information Service Ltd. for the purpose of promoting both company's products and services in the PRC. The term of the contract was from March 10, 2000 to March 9, 2001. Under the terms of the contract, SINA agreed to purchase 14,000,000 hours of Internet access time and included in Net Assets of Discontinued Operations at December 31, 2001 and 2000 is $289,944 and $434,808, respectively.

NOTE 16 - SUBSEQUENT EVENTS

(i) By an agreement dated January 21, 2002, Link agreed to purchase all of the outstanding shares of PSP through the issuance of 37,500,000 (post-reverse one for four split) common shares. Link has the right to buy back its shares at $0.001 per share from these individuals if PSP's after tax profit is less than Hong Kong $9 million dollars ("HKD") for the twelve months ending December 31, 2002. The buy back formula is for every HKD $333,333 that PSP falls short of the HKD $9 million after tax profit, Link can buy back one million (post-reverse one for four split) common shares from these individuals.

(ii) Pursuant to a Subscription Agreement dated January 18, 2002, the Company paid $600,300 in a private placement of Link for 14,500,000 (pre-reverse one for four split) common shares at $0.0414 per share, as well as 10,875,000 special warrants convertible into 10,875,000 post-reverse one for four split common shares on or before January 31, 2004 at no additional consideration. An option to purchase an additional 7,500,000 post-reverse one for four split common shares at $0.04 per share, or $300,000, until February 15, 2002, was also granted to the Company, which was not exercised. On February 18, 2002, the shareholders of Link approved the reverse split of the issued and outstanding common shares of Link at the ratio of one for four, thereby making the Company's total Link shares held equal to 15,370,675 shares. The private placement and option transaction took place with another public company having directors in common.