

INTERIM RESULTS

The directors of Sino-i Technology Limited (“the Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

For the six months ended 30 September 2003

	Notes	For the six months ended 30 September	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	312,019	173,456
Cost of sales and services provided		(137,419)	(89,523)
Gross profit		174,600	83,933
Other revenue	3	38,255	88,686
Administrative expenses		(88,372)	(84,070)
Depreciation and amortisation	4	(34,323)	(42,639)
Other operating expenses		(7,208)	(18,403)
Profit from operations	4	82,952	27,507
Finance costs	5	(24,738)	(16,671)
Share of results of associates		(80)	(223)
Profit before taxation		58,134	10,613
Taxation	6	(4,105)	(27)
Profit before minority interests		54,029	10,586
Minority interests		(13,206)	(7,311)
Profit for the period attributable to shareholders		40,823	3,275
		HK cents	HK cents
Earnings per share	8		
– Basic		0.272	0.024
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

	Notes	(Unaudited) 30 September 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		735,672	741,081
Interests in associates		(8,744)	(8,245)
Long term investments		304,030	288,676
Land held for development		3,786,104	3,758,167
Intangible assets		449,808	439,367
		5,266,870	5,219,046
Current assets			
Inventories		7,116	7,495
Short term investments		127	398
Trade and other receivables	9	764,359	616,415
Amounts due from related companies		2,154	11,105
Cash at banks and in hand		36,517	66,469
		810,273	701,882
Current liabilities			
Trade and other payables	10	430,283	370,520
Provision for tax		16,237	15,132
Defined benefit retirement obligation		4,017	4,360
Land premium payables		301,633	301,633
Amount due to a director		28,366	7,230
Amounts due to shareholders		8,115	8,115
Amount due to a minority shareholder		–	2,359
Bank and other borrowings		531,147	485,849
		1,319,798	1,195,198
Net current liabilities		(509,525)	(493,316)

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2003

	Notes	(Unaudited) 30 September 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
Total assets less current liabilities		4,757,345	4,725,730
Non-current liabilities			
Bank and other borrowings		762,662	1,001,509
Deposit received		29,040	29,049
Deferred tax		790	790
		792,492	1,031,348
Minority interests		1,016,808	986,079
Net assets		2,948,045	2,708,303
CAPITAL AND RESERVES			
Share capital	11	1,591,450	1,391,450
Share premium		472,736	472,736
Reserves		883,859	844,117
Shareholders' funds		2,948,045	2,708,303

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Net cash inflow/(outflow) from operating activities	41,440	(6,895)
Net cash outflow from investing activities	(76,762)	(39,829)
Net cash inflow/(outflow) from financing activities	7,150	(203,329)
Decrease in cash and cash equivalents	(28,172)	(250,053)
Cash and cash equivalents at 1 April	66,469	258,738
Effect of foreign exchange rate changes, net	(1,780)	54
Cash and cash equivalents at 30 September	36,517	8,739
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	36,517	12,295
Bank overdrafts	–	(3,556)
	36,517	8,739

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY –
UNAUDITED**

For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Total equity at 1 April	2,708,303	2,682,814
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(1,780)	53
Net gains and losses not recognised in the consolidated income statement	(1,780)	53
Conversion of convertible notes into share capital	200,000	–
Reserve from acquisition of additional interest in an associate	–	(2)
Reserve attributable to minority shareholders	699	422
Profit attributable to shareholders	40,823	3,275
Total equity at 30 September	2,948,045	2,686,562

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2003

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in compliance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the interim condensed financial statements are the same as those used in the audited financial statements for the year ended 31 March 2003, except for the adoption of SSAP 12 (Revised) “Income Taxes”.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of the above SSAP has no material effect on the condensed financial statements of the Group for the current and prior period.

2. SEGMENT INFORMATION

- (a) The following analysis presents turnover and profit for the Group's business segments for the period ended 30 September 2003:

	Turnover		Profit/(Loss)	
	Six months ended 30 September		Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Information technology business	193,923	76,603	50,785	12,144
Provision of financial information	50,274	37,736	16,757	9,383
Consumer packaged electronics	1,379	14,307	(1,368)	(27,546)
Electronic manufacturing services	6,344	19,853	(1,596)	(839)
Telecommunication products	–	–	(3)	(4)
Property development	–	73	(1,422)	(13,607)
Sales of securities	383	16,055	(345)	(507)
Hotel operation	40,410	6,615	114	(735)
Property investment	399	1,297	(3,305)	764
Distance learning and application services	18,907	917	8,024	(3,724)
Elimination	–	–	15,000	–
	312,019	173,456	82,641	(24,671)
Interest income			6,833	1,646
Gain on partial disposal of a subsidiary			3,718	–
Waiver of loan interest payable by a bank			6,185	–
Gain on disposal of a jointly controlled entity			–	3,480
Gain on partial disposal of interest in a property development project			–	71,438
Unallocated corporate expenses			(16,425)	(24,386)
Profit from operations			82,952	27,507
Finance costs			(24,738)	(16,671)
Share of results of associates			(80)	(223)
Profit before taxation			58,134	10,613
Taxation			(4,105)	(27)
Profit before minority interests			54,029	10,586
Minority interests			(13,206)	(7,311)
Profit attributable to shareholders			40,823	3,275

2. SEGMENT INFORMATION (CONTINUED)

(b) The following analysis presents the Group's turnover by geographical markets:

	Turnover Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Europe	601	2,200
North America	–	8,940
Hong Kong	818	30,856
The People's Republic of China ("PRC")	271,517	124,966
Philippines	39,083	–
Others	–	6,494
	312,019	173,456

3. OTHER REVENUE

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Waiver of loan interest payable by a bank	6,185	–
Interest income	6,833	–
Gain on partial disposal of a subsidiary	3,718	–
Gain on disposal of fixed assets	2,609	–
Negative goodwill released	9,079	12,122
Gain on partial disposal of interest in property development project (Note)	–	71,438
Gain on disposal of a jointly controlled entity	–	3,480
Sundry income	9,831	1,646
	38,255	88,686

Note: The gain in the last period is attributable to the Group's partial disposal of its interest in property development project undertaken by Nanjing Hanxi Real Estate Development Co. Ltd.

4. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Amortisation of goodwill	23,004	19,032
Amortisation of product development costs	–	916
Amortisation of proprietary software	–	3,935
Depreciation	11,319	15,203
Provision for impairment in goodwill	–	3,553
Provision for impairment in value of investment properties	3,500	–
Provision for impairment in value of land held for development	–	12,887

5. FINANCE COSTS

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Interest on		
Bank loans and overdrafts		
– wholly repayable within five years	22,179	18,220
– not wholly repayable within five years	3,035	2,771
Other loans and convertible notes		
– wholly repayable within five years	12,259	8,256
Finance leases	–	33
	37,473	29,280
Less : Amounts capitalised under land held for development	(12,735)	(12,609)
	24,738	16,671

6. TAXATION

Taxation in the condensed consolidated profit and loss account represents:

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Provision for the period:		
Overseas	(4,105)	(27)
Taxation charges for the period	(4,105)	(27)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

Overseas taxation has been provided on the profits of the overseas subsidiaries in accordance with tax laws of the countries in which these subsidiaries operate.

7. DIVIDENDS

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 September 2003 (2002: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period ended of HK\$40,823,000 (2002: HK\$3,275,000) and the weighted average number of 14,985,543,128 (2002: 13,914,504,877) ordinary shares in issue during the period.

Diluted earnings per share for both periods ended 30 September 2003 and 2002 are not presented because the impact of the exercise of the share options and convertible notes is anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

A defined credit policy is maintained within the Group. The age analysis of trade debtors as at 30 September 2003 was as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Trade receivables, analysed according to aging:		
0-90 days	89,590	61,713
91-180 days	4,511	75,476
181-270 days	58,659	4,003
271-360 days	2,960	2,177
Over 360 days	23,802	43,251
Less: Provisions	(21,124)	(21,124)
	158,398	165,496
Prepayments, deposits and other receivables	615,628	460,586
Less: Provisions	(9,667)	(9,667)
	605,961	450,919
	764,359	616,415

10. TRADE AND OTHER PAYABLES

The age analysis of trade creditors as at 30 September 2003 was as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Trade payables, analysed according to aging :		
0-90 days	30,974	9,592
91-180 days	1,169	2,238
181-270 days	434	570
271-360 days	426	199
Over 360 days	5,002	3,910
	38,005	16,509
Other payables and accruals	392,278	354,011
	430,283	370,520

11. SHARE CAPITAL

	Number of ordinary shares	HK\$'000
Authorised :		
At 1 April 2003 and 30 September 2003	30,000,000,000	3,000,000
Issued and fully paid :		
At 1 April 2003	13,914,504,877	1,391,450
Conversion of convertible notes (note (a))	2,000,000,000	200,000
At 30 September 2003	15,914,504,877	1,591,450

- (a) On 31 December 2002, the Company issued HK\$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of subsidiaries. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK\$0.10 per share. The conversion price was subject to adjustment in certain circumstances.

On 25 June 2003, convertible notes of HK\$200 million were converted into 2,000,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$0.10 per share by Empire Gate Industrial Limited.

12. CONTINGENT LIABILITIES

As at 30 September 2003, the Group had the following contingent liabilities:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Guarantees given in connection with credit facilities granted to:		
– An associate	8,282	8,669
– A minority shareholder of a former subsidiary	45,420	39,338
– Third party	71,698	71,698
	125,400	119,705

13. CAPITAL COMMITMENTS

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Construction costs for certain property development projects undertaken in the PRC and acquisition of investments: Contracted, but not provided for	71,845	84,690

14. PLEDGE OF ASSETS

As at 30 September 2003, the Group's credit facilities were supported by the following assets of the Group:

- (a) first legal charges on the Group's investment properties with an aggregate net book value of HK\$90,000,000;
- (b) first legal charges on hotel properties located in the PRC and the Philippines and properties under development located in the PRC with an aggregate net book value of HK\$548,265,000;
- (c) charge over the land held for development with Lot No. K708-5 at Liu Wan, Shekou, the PRC together with all its sales proceeds;
- (d) charge over certain land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC;
- (e) charge over land held for development in Hong Kong with carrying value of HK\$58,788,000;
- (f) charge over shares in certain subsidiaries within the Group;
- (g) pledge of listed shares with market value of approximately HK\$198,600,000;
- (h) floating charge over certain assets of certain companies within the Group;
- (i) fixed charges over land and buildings and other property, plant and equipment with aggregate net book value of HK\$52,675,000;
- (j) certain investment in and amount advance to a subsidiary with a net balance of HK\$51,700,000 in a subsidiary; and
- (k) undertaking on the part of the Group for assignment of rentals from the letting of certain investment properties; and proceeds from sales of certain investment properties.

15. RELATED PARTY TRANSACTIONS

There is no material and significant related party transaction for the period.

16. SUBSEQUENT EVENT

On 9 December 2003, the Group entered into a sales and purchase agreement to dispose of one of its investment properties in Hong Kong at a consideration of HK\$20,000,000.

17. COMPARATIVE FIGURES

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

18. LITIGATION

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the period under review, the Group was principally engaged in information technology business, financial information provision, distance learning and application services, hotel operation and through its listed subsidiary, South Sea Holding Company Limited (“South Sea”), engaged in property investment and development; design, manufacturing and marketing of consumer electronic products and provision of electronic manufacturing services.

Turnover for the period increased by 79.8% to approximately HK\$312 million (2002: HK\$173.5 million) and net profit of HK\$40.8 million (2002: HK\$3.3 million) was recorded. The net assets value of the Group amounted to approximately HK\$2,948 million, representing a value of HK\$0.19 per share.

Given the effort made by the management during the past few years, the Group has achieved remarkable return from its successful investments and developments in the businesses of information technology and financial information provision. The increase in Group’s turnover was attributable to the strong increase in sales income from its information technology business.

Information Technology Business

This business division offers Internet Application Services to corporate clients. During the period, this division recorded revenue of approximately HK\$193.9 million (2002: HK\$76.6 million) and a segment profit of approximately HK\$50.8 million (2002: HK\$12.1 million), representing an increase of 153.1 % and 319.8 % respectively over the same period last year. This is mainly due to the increase in sales by the Group’s subsidiary, CE Dongli Technology Company Limited, and contribution from the newly acquired two prominent Chinese corporations in the industry during the period. The enlarged business group dominates over 50% market share in the domain name registration and virtual hosting services sector in China.

Financial Information Provision

Turnover for the period was approximately HK\$50.3 million (2002: HK\$37.7million) and recorded a segmental profit of approximately HK\$16.8 million (2002: HK\$9.4 million). The increment in both turnover and profit was mainly due to the increasing subscription of the services provided by the Group’s subsidiary, Beijing Shihua International Financial Information Company Limited (“Shihua”) for its customers. Shihua dominates 85% of the futures market and 65% of the Banking sector which provides personal FOREX information in China.

Other Businesses

During the period, the Group’s distance learning and application services business group began to make contributions to the Group. In addition, the Group’s hotel operating subsidiary, Acesite (Phils.) Hotel Corporation, which the Group acquired in late 2002 has contributed a full half-year result to the Group.

Property Development in China

During the period, this division recorded no turnover and a loss of approximately HK\$1.4 million (2002: HK\$13.6 million). The major development projects are in Shenzhen and Guangzhou. The government authority has approved the detailed urban planning design of the development of the projects in Shenzhen, it is expected that this project will generate strong cash flow for the Group in the next few years. In addition, the government authority has also approved the detailed urban planning design of the development projects in Guangzhou.

Manufacturing and Marketing of Consumer Electronic Products

This division recorded revenue of approximately HK\$7.7 million (2002: HK\$34.2 million) and a segment loss of approximately HK\$3 million (2002: HK\$28.4 million). The management will continue to focus on reducing the overheads and to improve the operating efficiency of this business division.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 September 2003, net assets value of the Group amounted to HK\$2,948 million, including cash and bank balances of approximately HK\$36.5 million, which was denominated mainly in Renminbi and Hong Kong dollars. As at 30 September 2003, the Group's aggregate borrowings decreased to HK\$1,293.8 million (31 March 2003: HK\$1,487.3 million) including convertible notes amounted to HK\$200 million (which bears an interest rate of 1% per annum and will mature on 31 December 2004) (31 March 2003: HK\$400 million). The decrease in borrowings is due to the conversion of HK\$200 million convertible notes into 2,000,000,000 shares of the Company during the period. For the Group's borrowings during the period, HK\$742.1 million were bearing interest at fixed rates while HK\$551.7 million were at floating rates. The gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders' equity, decreased to 44% from 54.9% in 31 March 2003. The Group's contingent liabilities as at 30 September 2003 were HK\$125.4 million due to the guarantees given in connection with credit facilities.

As at 30 September 2003, land held for development in Hong Kong with carrying value of HK\$58.8 million; property, plant and equipment with aggregate net book value of approximately HK\$691 million; shares in certain subsidiaries within the Group and floating charge over certain assets of certain companies within the Group; certain investment in and amount advance to a subsidiary with a net balance of HK\$51.7 million in a subsidiary; undertaking on the part of the Group for the assignment of rentals from the letting of certain investment properties; and proceeds from sales of certain investment properties; listed securities with market value of approximately HK\$198.6 million; certain portion of land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, China; and land held for development with lot no. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds were pledged as securities for credit facilities.

Pursuant to the placing and underwriting agreement entered into on 4 April 2002 between the Company and Mr. Yu Pun Hoi ("Mr. Yu") relating to the issue of convertible notes in an aggregate principal amount of not less than HK\$400 million but not more than HK\$600 million by the Company, as modified and supplemented by the first supplemental agreement and second supplemental agreement entered into between the Company and Mr. Yu on 27 March 2003 and 30 June 2003 respectively, Mr. Yu has the right to require the Company to issue convertible notes of up to a total principal amount of HK\$200 million to investors or to himself and/or his associates. These convertible notes, if issued, are convertible into 2,000,000,000 shares at the initial conversion price of HK\$0.10 per share.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

As the majority of the Group's borrowings and transactions are denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate fluctuations is relatively insignificant. In general, the Group mainly utilizes its Renminbi income receipt for operating expenditures in China and has not used any financial instruments for hedging Renminbi bank borrowings during the period and such borrowings are mainly used for Renminbi capital requirements in China.

EMPLOYEES

The Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to mandatory provident fund, group medical insurance, group personal accident insurance, external training sponsorship and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 30 September 2003, the Group had approximately 5,495 employees (2002: 4,474 employees). The salaries and allowance of employees for the period ended 30 September 2003 was about HK\$52.6 million (2002: HK\$42 million).

PROSPECT

It is the Group's strategy to continue focusing on the provision of information technology application and financial information services in China, and through South Sea, to participate in the rapidly growing property market in major cities in China. Given the leading market positions that the Group's businesses have attained in most of its respective areas, the management is confident that the current success will continue and create better returns for all shareholders.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 September 2003, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The Company

(i) Interests in shares (excluding interests in underlying shares held through debentures)

Name of Director	Number of shares of HK\$0.10 each held in the Company			
	Personal interest	Corporate interest	Family interest	Total interest
Yu Pun Hoi	–	6,658,325,316	50,000,000	6,708,325,316
Zhang Hong Ren	504,000	–	–	504,000

(ii) Interests in underlying shares held through debentures

Name of Director	Notes	Number of underlying shares
Yu Pun Hoi	1	2,000,000,000
	2	1,250,000,000

Notes:

- Pursuant to the placing and underwriting agreement entered into on 4 April 2002 between the Company and Mr. Yu Pun Hoi ("Mr. Yu") relating to the issue of convertible notes in an aggregate principal amount of not less than HK\$400 million but not more than HK\$600 million by the Company, as modified and supplemented by the first supplemental agreement and second supplemental agreement entered into between the Company and Mr. Yu on 27 March 2003 and 30 June 2003 respectively (the "Placing and Underwriting Agreement"), Mr. Yu has the right to require the Company to issue convertible notes of up to a total principal amount of HK\$200 million to investors or to himself and/or his associates. These convertible notes, if issued, are convertible into 2,000,000,000 shares at the initial conversion price of HK\$0.10 per share. Mr. Yu is deemed to be interested in these shares under Part XV of the SFO.
- The Company entered into an agreement with Mr. Yu on 21 June 1999 in respect of an acquisition from Mr. Yu of the entire issued share capital of Powerful Resources Limited. Part of the consideration payable under that agreement has yet to be satisfied pending the fulfilment of certain conditions. If these conditions are fulfilled on or before 15 October 2003, 1,250,000,000 new shares will be issued to Mr. Yu at a price of HK\$0.60 each as settlement of the remaining part of the consideration payable to him under that agreement. Mr. Yu is deemed to be interested in these 1,250,000,000 shares under Part XV of the SFO.

(iii) Interests in debentures*Right to Convertible Notes*

Pursuant to the Placing and Underwriting Agreement, Mr. Yu has the right to require the Company to issue convertible notes of up to a total principal amount of HK\$200 million to investors or to himself and/or his associates. Such right is exercisable until 31 December 2003 or such further period as the Company and Mr. Yu may agree. Mr. Yu is deemed to be interested in these convertible notes under Part XV of the SFO.

Right to Consideration Shares

The Company entered into an agreement with Mr. Yu on 21 June 1999 in respect of an acquisition from Mr. Yu of the entire issued share capital of Powerful Resources Limited for a total consideration of HK\$870 million. 200,000,000 new shares were issued in 1999 at a price of HK\$0.60 each to Mr. Yu to settle part of the consideration payable under that agreement. The remaining portion of that consideration will be satisfied by the issuance of 1,250,000,000 new shares at the price of HK\$0.60 each to Mr. Yu if and when certain conditions are fulfilled on or before 15 October 2003. Mr. Yu is deemed to have rights in respect of these 1,250,000,000 shares under Part XV of the SFO.

Associated corporations

By virtue of Mr. Yu's corporate and family interests in a total of 6,708,325,316 shares as disclosed above, Mr. Yu is entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company holds in its associated corporations within the meaning of Part XV of the SFO, including interests held by the Company in the shares of South Sea Holding Company Limited, which is a subsidiary of the Company the shares of which are listed on the Stock Exchange. As at 30 September 2003, the Company is indirectly interested in a total of 20,266,720,000 shares in the capital of South Sea Holding Company Limited, representing about 67.71% of its issued share capital.

Save as disclosed above, as at 30 September 2003, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 September 2003, those persons (other than directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Number of shares held	Number of underlying shares held	Approximate percentage of existing issued share capital of the Company*	Notes
Kung Ai Ming	6,708,325,316	3,250,000,000	42.15	1
Rosewood Assets Ltd.	1,698,333,000	–	10.67	2
Actinna Development Limited	3,959,992,316	–	24.88	2
Macro Resources Ltd.	1,000,000,000	–	6.28	2 & 3
Righteous International Limited	1,000,000,000	–	6.28	2
China International Trust & Investment Corporation	3,419,660,000	200,000,000	21.49	3
Yiu Kin Wai	2,387,340,000	–	15.00	4
Empire Gate Industrial Limited	2,000,000,000	–	12.57	4
Chen Peng Jing	5,000,000	1,800,000,000	0.03	5
Procare Group Limited	–	1,800,000,000	–	5

* For the avoidance of doubt, interests in underlying shares held through equity derivatives have not been taken into account when calculating the percentages set out above since these underlying shares have not been issued as yet.

Notes:

- Ms. Kung Ai Ming is the spouse of Mr. Yu and is taken to be interested in the shares and underlying shares in which Mr. Yu and herself are interested.
- Rosewood Assets Ltd. is directly interested in 1,698,333,000 shares. Rosewood Assets Ltd. and Actinna Development Limited are wholly-owned by Mr. Yu. Pippen Limited is wholly owned by Actinna Development Limited. As such, Actinna Development Limited is taken to be interested in the 3,959,992,316 shares directly held by Pippen Limited. Macro Resources Ltd. is owned as to 60% by Righteous International Limited and Righteous International Limited is wholly-owned by Mr. Yu. Righteous International Limited is taken to be interested in the 1,000,000,000 shares directly held by Macro Resources Ltd. The interests of Rosewood Assets Ltd., Actinna Development Limited and Righteous International Limited in the Company are included as part of the interest held by Mr. Yu.
- Macro Resources Ltd. is owned as to 40% by Staverley Assets Limited. As such, Staverley Assets Limited is taken to be interested in the 1,000,000,000 shares directly held by Macro Resources Ltd. In addition, Staverley Assets Limited is directly interested in 1,307,470,000 shares and CITIC Information Technology Investment Company Limited is directly interested in 550,000,000 shares. Both Staverley Assets Limited and CITIC Information Technology Investment Company Limited are wholly-owned subsidiaries of China International Trust & Investment Corporation. In addition, CITIC Capital Markets Holdings Limited, a controlled corporation of China International Trust & Investment Corporation for the purposes of Part XV of SFO, is indirectly interested in 562,190,000 shares. The

interests held by Macro Resources Ltd., Staverley Assets Limited, CITIC Information Technology Investment Company Limited and CITIC Capital Markets Holdings Limited in the Company are included as the interest of China International Trust & Investment Corporation.

4. Empire Gate Industrial Limited is wholly-owned by Mr. Yiu Kin Wai. Its interest in the Company is included as part of the interest held by Mr. Yiu Kin Wai.
5. Procure Group Limited is wholly-owned by Mr. Chen Peng Jing. Its interest in underlying shares is included as part of the interest held by Mr. Chen Peng Jing.

Save as disclosed above, as at 30 September 2003, no other person (other than a director or chief executive of the Company) had notified to the Company any interest or short position in the shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme adopted at the extraordinary general meeting held on 29 October 1999 (the “Old Scheme”) was terminated upon the adoption of a new share option scheme at the extraordinary general meeting of the Company held on 29 August 2002 (the “New Scheme”). Under the New Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within 10 years after its adoption at the discretion of the Board. Details of the New Scheme were disclosed in the Company’s circular dated 31 July 2002.

During the period under review, no share options have been granted or exercised under the Old Scheme or the New Scheme. No further options would be granted under the Old Scheme. All share options granted under the Old Scheme had lapsed and details of which are as follows:

Grantee	Date of Grant	Exercise period	Exercise price per share	No. of share option		
				At 1 April 2003	Lapsed during the period	At 30 September 2003
Employees						
In aggregate	27-07-00	1-5-02 to 30-4-03	HK\$0.50	3,000,000	3,000,000	–

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2003.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that non-executive directors are not appointed for a specific term as recommended in paragraph 7 of Appendix 14. All directors, including the non-executive directors, are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association.

CHANGE OF REGISTERED OFFICE

With effect from 18 November 2003, the registered office of the Company was changed to 39th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong.

By order of the Board
Zhang Hong Ren
Director

Hong Kong, 16 December 2003