

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 June 2004, together with the comparative figures for the six months ended 30 September 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

For the period from 1 January 2004 to 30 June 2004

	Notes	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Turnover	2	303,790	312,019
Cost of sales and services provided		(130,707)	(137,419)
Gross profit		173,083	174,600
Other revenue	3	17,625	38,255
Administrative expenses		(94,858)	(88,372)
Depreciation and amortisation	4	(30,129)	(34,323)
Other operating expenses		(8,285)	(7,208)
Profit from operations	4	57,436	82,952
Finance costs	5	(7,463)	(24,738)
Share of results of associates		(196)	(80)
Profit before taxation		49,777	58,134
Taxation	6	(3,920)	(4,105)
Profit before minority interests		45,857	54,029
Minority interests		(3,772)	(13,206)
Profit for the period attributable to shareholders		42,085	40,823
		HK cents	HK cents
Earnings per share	8		
– Basic		0.215	0.272
– Diluted		0.212	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

	Notes	(Unaudited) 30 June 2004 HK\$'000	(Audited) 31 December 2003 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		367,875	674,413
Interests in associates		7,207	7,044
Other investments		620,684	151,319
Land held for development		3,784,515	3,837,003
Deferred tax		–	11,890
Intangible assets		314,097	460,330
		5,094,378	5,141,999
Current assets			
Inventories		2,769	4,446
Short term investment		2,823	145
Trade receivables, other receivables and deposits	9	488,351	648,259
Amounts due from a related company		4,816	–
Deferred tax		–	3,166
Cash at banks and in hand		39,462	107,464
		538,221	763,480
Current liabilities			
Trade payables, other payables and accruals	10	318,480	335,649
Provision for tax		22,435	27,770
Retirement benefit obligations		–	3,019
Land premium payables		253,520	285,074
Amount due to a director		6,733	18,393
Amounts due to shareholders		4,992	8,115
Amount due to a minority shareholder		12,000	12,000
Amounts due to related companies		–	3,824
Bank and other borrowings		146,585	514,606
		764,745	1,208,450
Net current liabilities		(226,524)	(444,970)

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2004

	Notes	(Unaudited) 30 June 2004 HK\$'000	(Audited) 31 December 2003 HK\$'000
Total assets less current liabilities		4,867,854	4,697,029
Non-current liabilities			
Bank and other borrowings		362,831	666,318
Deposit received		131,374	32,590
Deferred tax		790	790
		494,995	699,698
Minority interests		964,507	1,011,248
Net assets		3,408,352	2,986,083
CAPITAL AND RESERVES			
Share capital	11	1,971,450	1,591,450
Share premium		472,736	472,736
Reserves		964,166	921,897
Shareholders' funds		3,408,352	2,986,083

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the period from 1 January 2004 to 30 June 2004

	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Net cash inflow from operating activities	264,686	41,440
Net cash outflow from investing activities	(223,950)	(76,762)
Net cash (outflow)/inflow from financing activities	(108,738)	7,150
Decrease in cash and cash equivalents	(68,002)	(28,172)
Cash and cash equivalents at beginning of the period	107,464	66,469
Effect of foreign exchange rate changes, net	–	(1,780)
Cash and cash equivalents at end of the period	39,462	36,517
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	39,462	36,517
	39,462	36,517

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the period from 1 January 2004 to 30 June 2004

	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Total equity at beginning of the period	2,986,083	2,708,303
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(1,018)	(1,780)
Net gains and losses not recognised in the consolidated income statement	(1,018)	(1,780)
Conversion of convertible notes into share capital	380,000	200,000
Reserve attributable to minority shareholders	1,202	699
Profit attributable to shareholders	42,085	40,823
Total equity at end of the period	3,408,352	2,948,045

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2004 to 30 June 2004

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in compliance with Hong Kong Statement of Standard Accounting Practice 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 December 2003.

2. SEGMENT INFORMATION

- (a) The following analysis presents turnover and profit/(loss) for the Group's business segments for the period ended 30 June 2004:

	Turnover		Profit/(Loss)	
	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Continuing operations:				
Information technology business	194,949	193,923	58,426	50,785
Provision of financial information and related services	44,623	50,274	15,011	16,757
Sales of consumer packaged electronics products	883	1,379	(326)	(1,368)
Property development	–	–	(4,746)	(1,422)
Sales of securities	11,938	383	(573)	(345)
Hotel operation	39,908	40,410	5,746	114
Property investment	950	399	(1,272)	(3,305)
Distance learning and application services	10,507	18,907	3,262	8,024
Other segment	32	–	3	–
Discontinued operations:				
Electronic manufacturing services	–	6,344	–	(1,596)
Telecommunication products	–	–	–	(3)
Elimination	–	–	–	15,000
	303,790	312,019	75,531	82,641
Interest income			5,010	6,833
Gain on partial disposal of a subsidiary			–	3,718
Gain on disposal of a subsidiary			2,480	–
Waiver of loan interest payable by a bank			–	6,185
Unallocated corporate expenses			(25,585)	(16,425)
Profit from operations			57,436	82,952
Finance costs			(7,463)	(24,738)
Share of results of associates			(196)	(80)
Profit before taxation			49,777	58,134
Taxation			(3,920)	(4,105)
Profit before minority interests			45,857	54,029
Minority interests			(3,772)	(13,206)
Profit attributable to shareholders			42,085	40,823

2. SEGMENT INFORMATION (CONTINUED)

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

	Turnover	
	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Europe	59	601
Hong Kong	13,712	818
The People's Republic of China ("PRC")	250,436	271,517
Philippines	39,583	39,083
	303,790	312,019

3. OTHER REVENUE

	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Waiver of loan interest payable by a bank	–	6,185
Interest income	5,010	6,833
Gain on partial disposal of a subsidiary	–	3,718
Gain on disposal of a subsidiary	2,480	–
Gain on disposal of fixed assets	–	2,609
Negative goodwill released	9,079	9,079
Sundry income	1,056	9,831
	17,625	38,255

4. PROFIT FROM OPERATIONS

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

	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Amortisation of goodwill	22,950	23,004
Depreciation	7,179	11,319
Provision for impairment in value of investment properties	–	3,500

5. FINANCE COSTS

	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	25,547	37,381
– not wholly repayable within five years	2,329	3,035
Other borrowings and convertible notes		
– wholly repayable within five years	3,187	12,259
	31,063	52,675
Less: Amounts capitalised under land held for development	(23,600)	(27,937)
	7,463	24,738

6. TAXATION

Taxation in the condensed consolidated profit and loss account represents:

	Period from 1 January 2004 to 30 June 2004 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
Provision for the period:		
Overseas	(3,920)	(4,105)
Taxation charges for the period	(3,920)	(4,105)

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 (6 months ended 30 September 2003: 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 June 2004 (6 months ended 30 September 2003: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$42,085,000 (6 months ended 30 September 2003: HK\$40,823,000) and the weighted average number of 19,551,867,515 (6 months ended 30 September 2003: 14,985,543,128) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders for the period of HK\$42,185,000 and the weighted average of 19,914,504,877 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the period of HK\$42,085,000 plus the dilution in the results of interests payable on the convertibles notes of HK\$100,000.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 19,551,867,515 ordinary shares in issue during the period plus the weighted average of 362,637,362 ordinary shares deemed to be issued at no consideration as if all the Company's convertible notes had been converted.

Diluted earnings per share for the 6 months ended 30 September 2003 was not presented because the impact of the exercise of the share options and convertible notes was 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 June 2004 was as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Trade receivable analysed according to aging:		
0 – 90 days	97,017	100,696
91 – 180 days	7,820	3,568
181 – 270 days	3,778	1,710
271 – 360 days	1,192	536
Over 360 days	30,948	24,312
Less: Provisions	(9,108)	(25,126)
	131,647	105,696
Prepayments, deposits and other receivables	365,008	542,563
Less: Provisions	(8,304)	–
	356,704	542,563
	488,351	648,259

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The age analysis of trade creditors as at 30 June 2004 was as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Trade payables analysed according to aging:		
0 – 90 days	6,541	19,806
91 – 180 days	1,759	5,672
181 – 270 days	1,237	6,090
271 – 360 days	263	45
Over 360 days	740	2,434
	10,540	34,047
Other payables and accruals	307,940	301,602
	318,480	335,649

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2004	31 December 2003	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of period/year	30,000,000,000	30,000,000,000	3,000,000	3,000,000
Issued and fully paid:				
At beginning of the period/year	15,914,504,877	13,914,504,877	1,591,450	1,391,450
Conversion of convertible notes (note)	3,800,000,000	2,000,000,000	380,000	200,000
At end of the period/year	19,714,504,877	15,914,504,877	1,971,450	1,591,450

Note:

On 31 December 2002 and 2003, the Company issued HK\$180,000,000 and HK\$200,000,000 convertible notes respectively to Procure Group Ltd, an independent third party and First Best Assets Ltd, a company wholly owned by Mr. Yu Pun Hoi, a director and substantial shareholder of the Company. These convertible notes bore interest at 1% per annum and were due on 31 December 2004 and 2005 respectively. Each of the convertible notes carried 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 5 January 2004 and 13 January 2004, the convertible notes of HK\$200,000,000 due for repayment on 31 December 2005 and the convertible notes of HK\$180,000,000 due for repayment on 31 December 2004 were converted into 2,000,000,000 and 1,800,000,000 ordinary shares of HK\$0.10 each in the Company respectively at a conversion price of HK\$0.10 per share.

12. CONTINGENT LIABILITIES

As at 30 June 2004, the Group had the following contingent liabilities:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Guarantees given in connection with credit facilities granted to:		
– Associates	22,134	20,060
– A minority shareholder of a subsidiary	47,709	47,029
– Third parties and others	160,839	173,925
	230,682	241,014

13. CAPITAL COMMITMENTS

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Construction costs for certain property development projects undertaken in the PRC and acquisition of investments:		
Contracted, but not provided for	102,849	357,342

14. PLEDGE OF ASSETS

As at 30 June 2004, 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\$77,000,000;
- (b) first legal charges on properties under development located in the PRC with net book value of HK\$255,018,000;
- (c) charge over the land held for development with Land Lot No. K708-5 at Liu Wan and all proceeds from sales of that land held for development;
- (d) charge over certain land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC;
- (e) undertakings 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; and
- (f) pledge of listed shares with market value of approximately HK\$271,759,000.

15. RELATED PARTY TRANSACTIONS

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

16. CHANGE IN FINANCIAL YEAR END

The Company has changed its financial year end from 31 March to 31 December in 2003. The interim results for the current period cover a six-month period from 1 January 2004 to 30 June 2004. The comparative figures for the last corresponding period cover the period of six months from 1 April 2003 to 30 September 2003 as reported in the Company's 2003 interim report.

17. LITIGATION

There have been no material changes 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 December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the period under review, the Group was principally engaged in information technology business, provision of financial information and related services, hotel operation, distance learning and application services, property investment and development and through its listed subsidiary, South Sea Holding Company Limited (“South Sea”), was engaged in property development; and design and marketing of consumer packaged electronics. Turnover for the period was approximately HK\$303.8 million (6 months ended 30 September 2003: HK\$312.0 million) and net profit of HK\$42.1 million (6 months ended 30 September 2003: HK\$40.8 million) was recorded. The net assets value of the Group amounted to approximately HK\$3,408 million, representing a value of HK\$0.17 per share.

The increase in net profit was mainly attributable to the increasing profit from its information technology business and reducing loss from the consumer packaged electronics business while other businesses posted steady income for the Group.

Information Technology Business

This business division offers Internet Application Services to corporate clients, especially those small to medium enterprises, and continues to post strong performance during the period. This division recorded a revenue of approximately HK\$194.9 million (6 months ended 30 September 2003: HK\$193.9 million) and a segment profit of approximately HK\$58.4 million (6 months ended 30 September 2003: HK\$50.8 million).

The strong results was mainly due to increase in sales by the Company’s subsidiary CE Dongli Technology Company Limited which is believed to dominate over 60% market share in the domain name registration and virtual hosting services sector in China.

Financial Information Provision

During the period under review, this division of business posted steady income and profit contribution for the Group. Turnover for the period was approximately HK\$44.6 million (6 months ended 30 September 2003: HK\$50.3 million) and a segment profit of approximately HK\$15.0 million (6 months ended 30 September 2003: HK\$16.8 million) was recorded.

The steady results were attributable to 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 providing personal FOREX information market in China.

Distance Learning and Application Services

During the period under review, turnover for the period was approximately HK\$10.5 million (6 months ended 30 September 2003: HK\$18.9 million) and a segment profit of approximately HK\$3.3 million (6 months ended 30 September 2003: HK\$8.0 million) was recorded. Despite the decrease in turnover and segment profit, this business division still posted satisfactory results. The management will continue to improve its operating efficiency.

Property Development

During the period under review, no turnover was recorded (6 months ended 30 September 2003: nil) and a segment loss of approximately HK\$4.7 million (6 months ended 30 September 2003: loss of HK\$1.4 million) for this business division was recorded.

Regarding the progress of the major development project in Shenzhen, the piling and basement excavation works have begun early this year, and such works are expected to complete in late 2004. Meanwhile, the superstructure construction is expected to commence immediately subsequent to the completion of piling and basement excavation works. Development of this project will be progressed in five phases. A renowned French design company, selected by means of public tender, has completed the first phase construction design involving gross floor area of approximately 170,000 sq. m. involving 8 blocks of residential buildings. This project is expected to generate strong cashflow for the Group in the next few years.

In addition, the Guangzhou project involves a total gross floor area of approximately 1.08 million sq. m., and detailed urban planning design has been approved, and construction work for the first phase is expected to commence in the fourth quarter 2004.

Consumer Packaged Electronics

During the period, turnover from this division was approximately HK\$0.9 million (6 months ended 30 September 2003: HK\$1.4 million) and a reduced segment loss of approximately HK\$0.3 million (6 months ended 30 September 2003: loss of HK\$1.4 million) was recorded.

In view of the ongoing difficult business environment, the management of the Group has disposed of the manufacturing facilities in December 2003 after careful consideration, and decided to remain the business of design and trading of consumer packaged electronic products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2004, net asset value of the Group amounted to approximately HK\$3,408 million, including cash and bank balances of approximately HK\$39.5 million, which was denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2004, the Group's aggregate borrowings decreased to HK\$509.4 million (as at 31 December 2003: HK\$1,180.9 million) including convertible notes amounted to HK\$20 million (which bears an interest rate of 1% per annum and will mature on 31 December 2004). During the period, convertible notes of HK\$380 million were converted into 3,800,000,000 shares of HK\$0.10 each in the capital of the Company. The decrease in borrowings is mainly attributable to notes conversion mentioned above, loan repayment of HK\$109 million and disposal of a subsidiary. For the Group's borrowings at 30 June 2004, approximately HK\$236.6 million were bearing interest at fixed rates while approximately HK\$272.8 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 14.9% as of 30 June 2004 from 39.5% as at 31 December 2003. The drop is due to the above notes conversion and reduction in borrowings. The Group's contingent liabilities at 30 June 2004 were HK\$230.7 million due to the guarantees given in connection with credit facilities.

As at 30 June 2004, property, plant and equipment with the net book value of approximately HK\$332 million; undertakings 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\$272 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 land lot no. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds were pledged as securities for credit facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

As the majority of the Group's borrowings and transactions are mainly 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 were 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 of directors. In general, salary review is conducted annually. At 30 June 2004, the Group had approximately 6,252 employees (at 30 September 2003: 5,495 employees). The salaries and allowance of employees for the period ended 30 June 2004 was about HK\$96.6 million (6 months ended 30 September 2003: HK\$88.2 million).

PROSPECT

The Company and South Sea have jointly announced on 29 December 2003 a restructuring plan as detailed in the Company's circular dated 23 March 2004. On 16 April 2004, the plan was approved by the independent shareholders of the Company. As part of the restructuring plan, convertible notes amounted to HK\$200 million (bearing an interest rate of 1% per annum and will mature on 30 July 2005) were issued by South Sea to Robina Profits Limited, a wholly-owned subsidiary of the Company, on 30 July 2004 in accordance with the subscription agreement dated 29 December 2003. Upon the completion of the restructuring plan, the Company will become the 62.8% owned subsidiary of South Sea. The management believes that both the Company and South Sea will be trading under its fair value and shall benefit from such reorganization.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2004, 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 (the "Model Code") were as follows:

THE COMPANY

(i) Interests in shares of HK\$0.10 each of the Company (the "Sino-i Shares")

Name of Director	Personal interest	Number of Sino-i Shares			Total Interest
		Corporate Interest	Family Interest		
Yu Pun Hoi ("Mr. Yu")	–	8,658,325,316	44,000,000		8,702,325,316
Zhang Hong Ren	504,000	–	–		504,000

(ii) Short positions in Sino-i Shares

Name of Director	Number of Sino-i Shares	Nature of Interest
Mr. Yu	8,658,325,316	Corporate

ASSOCIATED CORPORATIONS

By virtue of Mr. Yu's corporate and family interests in a total of 8,702,325,316 Sino-i 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. According to Part XV of the SFO, Mr. Yu is taken to be interested in those shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) in which the Company holds an interest, including interests held by the Company in the shares and debentures of South Sea, which is a subsidiary of the Company the shares of which are listed on the Stock Exchange. The interests which Mr. Yu is taken to have in the shares, underlying shares and debentures of South Sea are set out below.

(i) Interests in shares of HK\$0.01 each of South Sea (the "South Sea Shares") (excluding interests in underlying South Sea Shares)

Name of Director	Number of South Sea Shares	Nature of Interest
Mr. Yu	20,266,720,000 (Note)	Corporate

Note:

These 20,266,720,000 South Sea Shares are collectively held by Victorious Limited, Robina Profits Limited and Ko Tact Limited which are all wholly-owned subsidiaries of the Company. Mr. Yu is taken to be interested in these South Sea Shares for the purposes of Part XV of the SFO.

(ii) Interests in underlying South Sea Shares

Name of Director	Notes	Number of underlying South Sea Shares
Mr. Yu	1	11,111,111,111
	2	18,761,668,837

Notes:

- Pursuant to the subscription agreement (the "Subscription Agreement") entered into on 29 December 2003 between Robina Profits Limited ("Robina") and South Sea relating to the subscription of convertible loan notes in an aggregate principal amount of HK\$200,000,000 (the "South Sea Notes"), South Sea agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK\$200,000,000. The South Sea Notes are convertible into a total of 11,111,111,111 South Sea Shares at an initial conversion price of HK\$0.018 each (subject to adjustments). Robina is a wholly owned subsidiary of the Company. As such, Mr. Yu is taken to be interested in these underlying South Sea Shares for the purposes of Part XV of the SFO.

2. Pursuant to the sale and purchase agreement (the “Sale and Purchase Agreement”) entered into on 29 December 2003 between South Sea as purchaser and First Best Assets Limited, Rosewood Assets Limited, Phippen Limited, Staverley Assets Limited, 中信信息科技投资有限公司 (CITIC Information Technology Investment Company Limited), Macro Resources Limited and Empire Gate Industrial Limited (collectively, the “Vendors”) as vendors relating to the acquisition by South Sea of a total of 12,515,795,316 Sino-i Shares (the “Sale Shares”), South Sea agreed to acquire from the Vendors the Sale Shares (of which 8,658,325,316 Sale Shares are held by companies controlled by Mr. Yu) at a consideration of HK\$976,334,238, representing a price of approximately HK\$0.078 each. Half of the consideration will be satisfied by an issue of a total of 27,120,395,500 South Sea Shares (the “Consideration Shares”) at a price of HK\$0.018 each to the Vendors upon completion of the Sale and Purchase Agreement. Those Vendors which are companies controlled by Mr. Yu are entitled to a total of 18,761,668,837 Consideration Shares under the Sale and Purchase Agreement. As such, Mr. Yu is taken to be interested in these 18,761,668,837 Consideration Shares for the purposes of Part XV of the SFO.

(iii) Interests in debentures of South Sea

Pursuant to the Subscription Agreement, South Sea agreed to issue and Robina agreed to subscribe for the South Sea Notes in an aggregate principal amount of HK\$200,000,000. Robina is a wholly owned subsidiary of the Company. As such, Mr. Yu is taken to be interested in the South Sea Notes for the purposes of Part XV of the SFO.

Save as disclosed above, as at 30 June 2004, none of the directors and chief executive of the Company had any interest or short position 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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 the share option scheme at the extraordinary general meeting of the Company held on 29 August 2002 (the “New Scheme”). All share options granted under the Old Scheme had lapsed and no further options would be granted under the Old 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. The Company has not granted any share options under the New Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2004, those persons (other than directors and chief executive of the Company) who had an 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 or short position in shares and underlying shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Number of Sino-i Shares	Number of underlying Sino-i Shares	Long position/ Short position	Approximate percentage of issued share capital of the Company *	Notes
Kung Ai Ming	8,702,325,316	–	long position	44.14	1
	8,658,325,316	–	short position	43.92	1
Rosewood Assets Limited	1,698,333,000	–	long position	8.61	2
	1,698,333,000	–	short position	8.61	2
First Best Assets Limited	2,000,000,000	–	long position	10.14	2
	2,000,000,000	–	short position	10.14	2
Actinna Development Limited	3,959,992,316	–	long position	20.09	2
	3,959,992,316	–	short position	20.09	2
Macro Resources Limited	1,000,000,000	–	long position	5.07	2 & 3
	1,000,000,000	–	short position	5.07	2 & 3
Righteous International Limited	1,000,000,000	–	long position	5.07	2
	1,000,000,000	–	short position	5.07	2
CITIC Group	7,219,660,000	200,000,000	long position	36.62	3
	2,857,470,000	–	short position	14.49	3
CITIC Capital Markets Holdings Limited	4,362,190,000	200,000,000	long position	22.13	3
CITIC International Financial Holdings Limited	4,362,190,000	200,000,000	long position	22.13	3
CITIC Pacific Limited	4,362,190,000	200,000,000	long position	22.13	3
Golden Gateway Enterprises Inc.	4,362,190,000	200,000,000	long position	22.13	3
Forever Glory Holdings Ltd.	4,362,190,000	200,000,000	long position	22.13	3
Yiu Kin Wai	2,292,330,000	–	long position	11.63	4
	2,000,000,000	–	short position	10.14	4
Empire Gate Industrial Limited	2,000,000,000	–	long position	10.14	4
	2,000,000,000	–	short position	10.14	4
Chen Peng Jing	1,805,000,000	–	long position	9.16	5
Procure Group Limited	1,800,000,000	–	long position	9.13	5
South Sea	12,515,795,316	–	long position	63.49	6
Lee Tat Man	1,400,000,000	–	long position	7.10	

* For the avoidance of doubt, interests in underlying Sino-i Shares held through debentures have not been taken into account when calculating the percentages set out above since these underlying Sino-i Shares have not been issued as at 30 June 2004.

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and is taken to be interested or holds a short position in those Sino-i Shares in which Mr. Yu and herself hold an interest or short position.
2. Rosewood Assets Limited and First Best Assets Limited are directly interested and hold a short position in 1,698,333,000 Sino-i Shares and 2,000,000,000 Sino-i Shares respectively. Rosewood Assets Limited, First Best Assets Limited 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 and holds a short position in the 3,959,992,316 Sino-i Shares in which Pippen Limited holds an interest and short position. Macro Resources Limited 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 and holds a short position in the 1,000,000,000 Sino-i Shares in which Macro Resources Limited holds an interest and short position. The interests and short positions of Rosewood Assets Limited, First Best Assets Limited, Actinna Development Limited and Righteous International Limited in the Company are included as part of the interests and short positions held by Mr. Yu.
3. Macro Resources Limited is owned as to 40% by Staverley Assets Limited. As such, Staverley Assets Limited is taken to be interested and holds a short position in the 1,000,000,000 Sino-i Shares in which Macro Resources Limited holds an interest and short position. In addition, Staverley Assets Limited is directly interested and holds a short position in 1,307,470,000 Sino-i Shares and CITIC Information Technology Investment Company Limited is directly interested and holds a short position in 550,000,000 Sino-i Shares. Both Staverley Assets Limited and CITIC Information Technology Investment Company Limited are wholly owned subsidiaries of CITIC Group. The interests and short positions held by Macro Resources Limited, Staverley Assets Limited and CITIC Information Technology Investment Company Limited in the Company are included as the interests and short positions held by CITIC Group.

In addition, CITIC Capital Markets Holdings Limited is indirectly interested in 4,362,190,000 Sino-i Shares. CITIC Capital Markets Holdings Limited is indirectly held as to 50% by CITIC Pacific Limited and as to 50% by CITIC International Financial Holdings Limited. Both CITIC International Financial Holdings Limited and CITIC Pacific Limited are companies the shares of which are listed on The Stock Exchange of Hong Kong Limited and in which CITIC Group controls a 53.84% and 28.88% interests respectively. Both Forever Glory Holdings Ltd. and Golden Gateway Enterprises Inc. are wholly owned subsidiaries of CITIC Pacific Limited. The interests and short positions held by CITIC Capital Markets Holdings Limited is included as part of the interests of Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.

CITIC Capital Active Partner Fund Limited is interested in 200,000,000 underlying Sino-i Shares. CITIC Capital Active Partner Fund Limited is held as to 5.58% directly by CITIC Group, as to 41.85% indirectly by CITIC International Financial Holdings Limited (in which CITIC Group controls a 53.84% interest) and as to 45.6% directly by CITIC Capital Markets Holdings Limited. The interest in these underlying Sino-i Shares held by CITIC Capital Active Partner Fund Limited is included as part of the interests of CITIC Capital Markets Holdings Limited, Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.

4. Empire Gate Industrial Limited is wholly-owned by Mr. Yiu Kin Wai. Its interest and short position in the Company are included as part of the interest and short position held by Mr. Yiu Kin Wai.
5. Procure Group Limited is wholly-owned by Mr. Chen Peng Jing. Its interest in the Company is included as part of the interest held by Mr. Chen Peng Jing.
6. Pursuant to the Sale and Purchase Agreement, South Sea had agreed to acquire a total of 12,515,795,316 Sale Shares from the Vendors. South Sea is taken to be interested in these shares for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2004, no other person (other than a director and chief executive of the Company) had notified to the Company any interest or short position in the Sino-i Shares or underlying Sino-i Shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the period.

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 June 2004, 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.

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 the review of the unaudited interim results for the six months ended 30 June 2004.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises 2 executive directors, namely, Mr. YU Pun Hoi and Mr. ZHANG Hong Ren; 3 non-executive directors, namely, Mr. LI Shilin, Mr. LUO Ning and Mr. LAM Bing Kwan; and 2 independent non-executive directors, namely, Ms. WONG King King and Mr. Francisco Paredes ACOSTA.

By order of the Board
Zhang Hong Ren
Director

Hong Kong, 20 September 2004