Responsibility Statement

The ex-directors of Winsan (China) Investment Group Company Limited (to be renamed to "China Electronics Corporation Holdings Company Limited"), who represent Mr. Chan Chak Shing, Mr. Chan Hon Ching, Ms. Lo Mei Chun and Ms. Chiu King Cheung and the current independent non-executive directors, Mr. Chan Kay Cheung and Mr. Wong Po Yan, jointly and severally accept full responsibility for the accuracy of the information contained in this interim report up to the completion of the Acquisition (other than that in relation to CEC and Sang Fei) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this interim report up to the completion of the Acquisition have been arrived at after due and careful consideration and there are no other facts not contained in this interim report up to the completion of the Acquisition, the omission of which would make any statement in this interim report misleading.

The new directors of Winsan (China) Investment Group Company Limited (to be renamed to "China Electronics Corporation Holdings Company Limited") jointly and severally accept full responsibility for the accuracy of the information contained in this interim report (other than that prior to the completion of the Acquisition) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this interim report after the completion of the Acquisition have been arrived at after due and careful consideration and there are no other facts not contained in this interim report after the completion of the Acquisition, the omission of which would make any statement in this interim report misleading.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report the latest development of Winsan (China) Investment Group Company Limited (the "Company"). On 24th September 2004, after procuring all the required approvals from relevant government authorities of the People's Republic of China (the "PRC") and the regulatory bodies in Hong Kong, together with the approval by our shareholders, the acquisition of the 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei") from China Electronics Corporation ("CEC") (the "Acquisition") were duly completed. I would like to take this opportunity to express my most sincere gratitude to the authorities and regulatory bodies, and our shareholders in particular, for their continual support.

Upon completion of the Acquisition, CEC has become the controlling shareholder of the Company. The Company will also change its name to China Electronics Corporation Holdings Company Limited.

Established in 1989 with the approval of the State Council of the PRC, CEC is a nationalwide electronics and information technology conglomerate.

CEC actively focuses on and has made substantial investment in the communication/consumer electronics, semi-conductor and software sectors. CEC is a major and leading industry player in the semi-conductor sector. In the context of the communication/consumer electronics sector, it has established a fully integrated product chain covering all the key aspects including research and development, production and sales distribution. CEC is also a leading provider of software and system integration offering a comprehensive range of system software, supporting software and application software.

Looking ahead, the Company will be well positioned as CEC's principal main board listed company in Hong Kong. The Company will seize to improve its profitability by strengthening its core business with the cooperation and support of CEC in all aspects including strategic development, technology support, and sales and marketing so as to maximize the synergies between CEC and the Company, and will strengthen its effort to explore new business opportunities through partnering with, merger and acquisition of businesses with good potential when appropriate. The ultimate objective of the new management is to maximize the shareholders value of the Company and to improve the investor's return as a whole.

Last but not least, I would like to thank our shareholders and business partners for their confidence to the Company in the past and, in particular, for your continual support in the future.

Yang Xiaotang
Chairman

Hong Kong, 24th September 2004

The Board of Directors of Winsan (China) Investment Group Company Limited (to be renamed as China Electronics Corporation Holdings Company Limited) (the "Company") presents the Interim Financial Statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June 2004. The Interim Financial Statements comprising the consolidated profit and loss accounts, consolidated statement of changes in equity and consolidated cash flow statement for the Group for the six months ended 30th June 2004, and the consolidated balance sheet as the 30th June 2004 of the Group, all of which are unaudited and condensed, together with the relevant notes are set out as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2004

		Discontinuing operations Unaudited Six months ended 30th June	
		2004	2003
	Note	**HK$'000**	HK$'000
Turnover (net of business tax)	*2*	**9**	2,464
Cost of sales		**(2)**	(5,027)
Gross profit/(loss)		**7**	(2,563)
Other revenue	*2*	**1**	2
Selling expenses		**(109)**	(1,085)
Administrative expenses		**(8,416)**	(13,033)
Amortisation of goodwill		**(1,569)**	(1,569)
Write back of/ (provision for) impairment loss on goodwill		**1,569**	(29,000)
Other operating expenses, net		**(31)**	–
Operating loss	*3*	**(8,548)**	(47,248)
Finance costs		**(79)**	(1,112)
Loss before taxation		**(8,627)**	(48,360)
Taxation	*5*	**–**	–
Loss after taxation		**(8,627)**	(48,360)
Minority interests		**–**	–
Loss attributable to shareholders		**(8,627)**	(48,360)
		HK cents	HK cents
Loss per share – basic	*6*	**(0.55)**	(3.12)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2004

	Note	Unaudited 30th June 2004 HK$'000	Audited 31st December 2003 HK$'000
Fixed assets	8	**2,640**	4,166
Current assets			
Inventories		**113**	115
Trade and other receivables	9	**5,525**	2,019
Bank balances and cash		**765**	1,234
		6,403	3,368
Current liabilities			
Amounts due to related companies	10	**67,383**	53,957
Trade and other payables	11	**13,927**	12,626
Current portion of long-term bank loans		**–**	2,893
Short-term loans, unsecured	12	**3,583**	3,583
Bank overdrafts, unsecured		**–**	464
		84,893	73,523
Net current liabilities		**(78,490)**	(70,155)
Total assets less current liabilities		**(75,850)**	(65,989)
Represented by:			
Share capital	13	**15,585**	15,585
Reserves		**(91,435)**	(82,808)
Capital deficiency		**(75,850)**	(67,223)
Minority interests		**–**	–
Long-term bank loans		**–**	1,234
		(75,850)	(65,989)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

			Unaudited		
	Share Capital	**Contributed surplus**	**Foreign Currency translation reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2004	15,585	140,263	17	(223,088)	(67,223)
Loss for the period	–	–	–	(8,627)	(8,627)
At 30th June 2004	**15,585**	**140,263**	**17**	**(231,715)**	**(75,850)**
At 1st January 2003	15,585	140,263	17	(137,332)	18,533
Loss for the period	–	–	–	(48,360)	(48,360)
At 30th June 2003	15,585	140,263	17	(185,692)	(29,827)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	Unaudited Six months ended 30th June	
	2004	2003
	HK$'000	HK$'000
Net cash (used in)/from operating activities	**(9,226)**	5,196
Net cash used in investing activities	**(78)**	(1,295)
Net cash from/(used in) financing	**9,299**	(2,717)
(Decrease)/increase in cash and cash equivalents	**(5)**	1,184
Cash and cash equivalents at 1st January	**770**	(3,878)
Cash and cash equivalents at 30th June	**765**	(2,694)
Analysis of cash and cash equivalents		
Bank balances and cash	**765**	783
Bank overdrafts	**–**	(3,477)
	765	(2,694)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

On 10th December 2003, the Company has entered into a conditional acquisition agreement (the "Acquisition Agreement") with China Electronics Corporation ("CEC"), a state-owned enterprise established in the People's Republic of China (the "PRC") with the approval of the PRC State Council, and Winsan International Holdings Limited ("WIHL"). Under the Acquisition Agreement, the Company conditionally agreed to acquire 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei") (the "Acquisition"), a sino-foreign joint venture company incorporated in the PRC principally engaged in the manufacturing and sale of mobile phones, which is currently held by CEC group.

On 14th July 2004, the Acquisition was approved by the shareholders in the special general meeting and the Acquisition was completed on 24th September 2004. After the completion of the Acquisition, the principal asset and business of the Company is that of Sang Fei, and CEC becomes the controlling shareholder and appoints new management ("New Management") for the Company. In view of the fact that the New Management is not interested in continuing the business of the DICO and the TransOnline, the Company will dispose DICO and TransOnline's operation ("Disposal") to independent third parties. If in the unlikely event that the Disposals could not be effected, the New Management intends to discontinue the current business of DICO and TransOnline.

Accordingly, the businesses carried out by TransOnline and DICO were treated as discontinuing operations in the financial statements for the period ended 30th June 2004. The Directors are of the view that this Acquisition and the resulting change in the Group's business will result in significant improvements to the results and financial position of the Group. Accordingly, the accounts have been prepared on a going concern basis.

The Interim Financial Statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No.25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31st December 2003.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31st December 2003.

2. Turnover and segment information

The Group, after the completion of the Acquisition on 24th September 2004, is principally engaged in manufacturing and sale of mobile telephones.

The turnover and segment information for the six months ended 30th June 2004 included below comprise the operations of TransOnline and the provision of fully-integrated broadband and cable television related platform and equipment for cable television and telecommunication services operators.

	Six months ended 30th June	
	2004	2003
	HK$'000	HK$'000
Turnover – discontinuing operations		
System integration services income	**–**	2,365
Sale of goods	**–**	16
Sale of TransOnline membership cards	**9**	83
	9	2,464
Other revenue		
Interest income	**1**	2
	10	2,466

An analysis of the Group's turnover and results by principal activities and markets for the six months ended 30th June 2004 is as follows:

	Turnover – discontinuing operations		Operating loss	
	Six months ended 30th June		Six months ended 30th June	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
System integration services	**–**	2,365	**(2,630)**	(6,678)
TransOnline operations	**9**	99	**(1,796)**	(2,248)
	9	2,464	**(4,426)**	(8,926)
Write back of /(provision for) impairment loss on goodwill			**1,569**	(29,000)
Corporate expenses			**(5,691)**	(9,322)
Operating loss			**(8,548)**	(47,248)
Finance costs			**(79)**	(1,112)
Loss before taxation			**(8,627)**	(48,360)
Taxation			**–**	–
Loss after taxation			**(8,627)**	(48,360)
Minority interests			**–**	–
Loss attributable to shareholders			**(8,627)**	(48,360)

2. Turnover and segment information *(continued)*

	2004 **HK$'000**	2003 HK$'000
Segment assets		
– TransOnline	**2,133**	3,109
– System integration	**711**	32,158
– Unallocated	**6,199**	1,078
Total assets	**9,043**	36,345
Segment liabilities		
– TransOnline	**8,583**	6,994
– System integration	**43.756**	43,834
– Unallocated	**32,554**	15,344
Total liabilities	**84,893**	66,172
Capital expenditure		
– Unallocated	**–**	185
Depreciation		
– TransOnline	**454**	468
– System integration	**1,003**	1,152
– Unallocated	**32**	16
	1,489	1,636
Amortisation		
– System integration	**1,569**	1,569
Write back of /(provision for) impairment loss of goodwill		
– System integration	**1,569**	(29,000)

No geographical analysis is provided as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

3. Operating loss

Operating loss is stated after charging and crediting the following:

	Six months ended 30th June	
	2004	2003
	HK$'000	HK$'000
Auditors' remuneration	**–**	50
Depreciation of fixed assets	**1,489**	1,636
Loss on disposal of fixed assets	**37**	1,012
(Write back of)/provision for bad and doubtful debts	**(19)**	2,648
Operating leases in respect of land and buildings	**601**	1,008

4. Staff costs

	Six months ended 30th June	
	2004	2003
	HK$'000	HK$'000
Wages and salaries	**4,049**	4,664
Compensation for termination	**28**	603
Pension and social security costs	**175**	146
	4,252	5,413

The Group's PRC subsidiaries participate in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. The rates of contribution to these schemes range from 20% to 22% of the basic salaries of each individual employed. Following the adoption of the Mandatory Provident Fund ("MPF") Scheme in December 2000, the Group's directors and employees in Hong Kong joined the MPF Scheme.

5. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the six months ended 30th June 2004 (2003: Nil).

Under PRC income tax law, except for certain preferential treatments available to certain of the Company's subsidiaries operating in the PRC, the entities in the PRC are subject to corporate income tax ("CIT") at a rate of 33% on the taxable income as reported in their statutory accounts which are prepared in accordance with accounting principles and financial regulations applicable to PRC enterprises.

No provision for CIT has been made in the accounts as the subsidiaries of the Company operates in the PRC have no assessable profit for the six months ended 30th June 2004 (2003: Nil).

5. Taxation *(continued)*

Deferred tax assets have not been provided until future taxable profit is ascertained. The taxation of the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate in the PRC as follows:–

	2004	2003
	HK$'000	HK$'000
Loss before taxation	**8,627**	48,360
Tax loss calculated based on applicable tax rate	**1,722**	8,250
Expense not deductible for taxation purposes		
– written off and amortisation of goodwill	**–**	(4,785)
– others	**(1,722)**	(3,465)
	–	–

6. Loss per share

The calculation of basic loss per share is based on the Group's unaudited consolidated loss attributable to shareholders of HK$8,627,000 (2003: HK$48,360,000) and the weighted average of 1,558,480,000 shares (2003: 1,547,775,000).

The exercise of the share options granted under the share options scheme of the Company would have an anti-dilutive effect on the loss per share for the six months ended 30th June 2004 and therefore, no diluted loss per share has been presented.

7. Goodwill

	2004
	HK$'000
Net book value as at 1st January	**–**
Amortisation	**(1,569)**
Write back of impairment loss	**1,569**
Net book value as at 30th June	**–**

8. Fixed assets

	Leasehold improvements, equipment and motor vehicles 2004 HK$'000
Net book value as at 1st January	**4,166**
Disposals	**(37)**
Depreciation	**(1,489)**
Net book value as at 30th June	**2,640**

9. Trade and other receivables

The ageing analysis of the trade receivables included in trade and other receivables as at 30th June 2004 is as follows:

	30th June 2004 HK$'000	31st December 2003 HK$'000
91 to 180 days	**–**	24
181 to 365 days	**24**	–
	24	24

The Group's revenues from sale of provision for system integration services are billed based on terms of the sale and purchase contracts and are normally receivable upon issue of invoices.

10. Amount due to related companies

These represent the amounts due to companies beneficially owned by the then Chairman of the Company, Mr. Chan Chak Shing. The amounts are unsecured and interest free (2003: interest bearing at prime rate) and repayable on demand.

11. Trade and other payables

The ageing analysis of the trade payable included in trade and other payables as at 30th June 2004 is as follows:

	30th June 2004 HK$'000	31st December 2003 HK$'000
Within one year	**3,994**	2,490
Over one year	**2,058**	2,058
	6,052	4,548

12. Short term loans, unsecured

This comprises government loans including an amount of HK$755,000 (2003: HK$755,000) granted by Shenzhen Futian District Science and Technology Bureau, the PRC, which is interest bearing at 2.5% (2003: 2.5%) per annum and an interest free loan of HK$2,828,000 (2003: HK$2,828,000) granted by Shenzhen Finance Bureau. The relevant loans are guaranteed by third parties.

13. Share capital

	Company	
	Number of Shares	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised		
At 1st January and 30th June 2004	30,000,000,000	300,000
Issued and fully paid		
At 1st January and 30th June 2004	1,558,480,000	15,585

As at 30th June 2004, the share options outstanding under the Share Option Scheme were as follows:

Year granted	**Number of options**	**Exercise price** HK$	**Expiry date**
1997	18,600,000	1.53	August 2007
1998	55,500,000	0.36	March 2008
2000	6,380,000	0.173 to 0.24	February 2010 to October 2010
	80,480,000		

On 24th September 2004, the directors and the employees entitled to the abovementioned share option scheme has forfeited their right to exercise the share options.

14. Commitments under operating leases

At 30th June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June 2004 HK$'000	31st December 2003 HK$'000
Not later than one year	**594**	992
In the second to fifth year	**–**	270
	594	1,262

15. Contingent liabilities

At 30th June 2004, DICO, a subsidiary of the Company provided a corporate guarantee in respect of banking facilities granted by a bank (the "Lender") to a third party (the "Borrower") to the extent of HK$6,675,000 (2003:HK$6,675,000).

Arbitration proceedings have been commenced in April 2003 by the Lender against the Borrower and DICO. It was held on 26th September 2003 by the Shenzhen Arbitration Tribunal that the Borrower is liable to repay the outstanding amount to the Lender and that DICO is also liable for the remaining payment of such amount. Dico has not received any further notice from the Lender on this matter. In the opinion of the directors of the Company, it is not possible to quantify the remaining amount of payment for which DICO is liable and therefore no provision has been made in the accounts.

16. Related party transactions

Saved as disclosed in note 10, significant related party transaction, which was carried out in the normal course of the Group's business is as follows:

	Six months ended 30th June	
	2004 HK$'000	2003 HK$'000
Interest payable to ultimate holding company	**–**	386

This represented the interest calculated at prime rate on the amount due to companies beneficially owned by Mr Chan Chak Shing, the then Chairman of the Company.

17. Ultimate holding company

After the completion of the Acquisition on 24th September 2004, the Board of Directors regards China Electronics Corporation, a company established in the People's Republic of China, as being the ultimate holding company.

18. Post balance sheet event

(a) On 14th July 2004, the Acquisition was approved by the shareholders in the special general meeting;

(b) On 23rd September 2004, Gold Legacy International Limited and its subsidiaries was disposed to a third party at a consideration of HK$1;

(c) On 24th September 2004, WIHL had waived an amount of approximately HK$42.1 million due from the Company; and

(d) On 24th September 2004, the Acquisition was completed. After the completion of the Acquisition, the principal asset and business of the Company is that of Sang Fei, and CEC is the controlling shareholder and appoints new management for the Company.

INTERIM DIVIDEND

The Board of Directors has resolved not to make payment of any interim dividend for the six months ended 30th June 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The very substantial acquisition of 65% Equity Interest in Shenzhen Sang Fei Consumer Communications Company Limited ("the Acquisition") from China Electronics Corporation

On 10th December 2003, the Company entered into a conditional acquisition agreement with China Electronics Corporation, a stated-owned enterprise established in the People's Republic of China with the approval of the PRC State Council and WIHL. Under the Acquisition Agreement, the Company is conditionally agreed to acquire a 65% of equity interest in Shenzhen Sang Fei Consumer Communications Company Limited, from China Electronics Corporation

On 14th July 2004, the Company had held a special general meeting ("SGM") in respect of the approval of the Acquisition, the Non-exempt Ongoing Connected Transactions, the Whitewash Waiver, the Special Mandate and the Name Change, all the resolutions put to the shareholders have been duly passed. The completion of the Acquisition was finished on 24th September 2004 after the placement of 610,000,000 new Winsan Shares to the hands of the public (as defined in the Listing Rules), which to ensure that there is sufficient public float after the completion. The granting of listing of and permission to issue and the dealing of the 610,000,000 new Winsan Shares and the Consideration Shares was obtained from the Listing Committee of the Stock Exchange of Hong Kong Limited.

TransOnline

TransOnline hinges on "Freight Exchange Information System", "Integrated Logistics Solution" and "Value Added Services". The progress in the development of TransOnline has been severely delayed by SARS in 2003 and reactivated in 2004. As a result of the Acquisition, under the Acquisition Agreement the Company was restricted in expanding the operation such as undergoing financing arrangement, employment of new staff, expanding new business operation, incurring capital expenditure and etc. Thus, little revenue was generated from the operation and the status of development of TransOnline is set out as follows:

"Freight Exchange Information System"

This is the result of a five-year research project across the globe undertaken by the Research Institute of Highway under the Ministry of Communications. It is a highly specialized and dedicated network based land transport logistic infrastructure covering the PRC which taken us over almost 3 years to build. The network are currently maintained 85 alliance members and 67 special support units over 150 medium to large cities covering all provinces except for Hanian. We have over 200 service centers catering for member's basic services such as cargo matching, personal authentication, vehicle maintenance, insurance and lodging.

"Integrated logistics Solution"

After the impact of SARS in 2003, the marketing and promotion of logistic system "貨運小靈通" for the freight brokering industries have been resumed.

"Value Added Services"

Under the Acquisition Agreement, the Company was restricted in expanding the operation such as expansion of new business operation. Since the proposed substantial investment involved for building a nationwide "Location Base Services" for our members, we have to put back our negotiation with the leading wireless operator.

DICO

DICO was principally engaged in providing broadband and cable TV related platform and equipment for cable TV and telecommunication service operators. The segment of the market in which DICO operated has practically been stagnant while awaiting the relevant PRC authorities to set the relevant standards for the Digital Video Broadcasting-Cable ("DVB-C") industry. It also appears that the relevant authorities are unlikely to ease the restriction on the broadcasting of foreign media content in the PRC in the near future. To cope with the market environment changes, DICO has been working on vertical products and services in the development of installation and consultancy services for the PRC's medium to large size property developer in luxury residential estates. As a result of the impact of the tightening of the bank loans for the property sectors in the PRC which indirectly affects the development of DICO's operation. In addition, under the Acquisition Agreement, the Group was restricted in the expansion of the operation and which leads to a substantial decrease of the turnover in DICO's operation.

Outlook

The very substantial acquisition of 65% Equity Interest in Shenzhen Sang Fei Consumer Communications Company Limited from China Electronics Corporation

On 14th July 2004, the Company had held a SGM in respect of the approval of the Acquisition, the Non-exempt Ongoing Connected Transactions, the Whitewash Waiver, the Special Mandate and the Name Change, all the resolutions put to the shareholders have been duly passed. The completion of the Acquisition was finished on 24th September 2004 after the placement of 610,000,000 new Winsan Shares to the hands of the public (as defined in the Listing Rules), which to ensure that there is sufficient public float after the completion. The granting of listing of and permission to issue and the dealing of the 610,000,000 new Winsan Shares and the Consideration Shares was obtained from the Listing Committee of the Stock Exchanges of Hong Kong Limited.

After the completion of the Acquisition, Sang Fei becomes the principle asset and business of the Company and CEC becomes the controlling shareholder and appointed new management ("New Management") for the Company. The Company becomes the CEC Group's principle Main Board listed group operating in the communication, consumer electronics and related business.

In view of the fact that the New Management is not interested in continuing the business of the DICO and the TransOnline, the Company will dispose DICO and TransOnline's operations ("Disposals") to independent third parties. If in the unlikely event that the Disposals could not be effected, the New Management intends to discontinue the current operation of DICO and TransOnline.

FINANCIAL REVIEW

During the six months ended 30th June 2004 (the "Period"), the Group recorded a turnover of approximately HK$9,000 (2003: HK$2,464,000). Out of the total turnover, HK$Nil (2003: HK$2,365,000) was generated from DICO and HK$9,000 (2003: HK$99,000) was generated from TransOnline. The loss attributable to shareholders for the Period was HK$8,627,000 (2003: HK$48,360,000). The decrease of the loss attributable to shareholders for the Period was mainly due to the additional provision for the impairment loss on goodwill amounting to HK$29,000,000 during the six months ended period ended 30th June 2003.

The operation of the Group during the Period was mainly financed by the loans granted by WIHL. The net current liabilities increased from HK$70,155,000 as at 31st December 2003 to HK$78,490,000 as at 30th June 2004. In addition, the capital deficiency has been further eroded from HK$67,223,000 as at 31st December 2003 to HK$75,850,000 as at 30th June 2004.

OTHER EVENTS

Capital adequacy and liquidity

As at 30th June 2004, the Group had a deficit on net tangible assets of HK$75,850,000 (31st December 2003: HK$67,223,000) and a net current liability of HK$78,490,000 (31st December 2003: HK$70,155,000) (inclusive of the amounts due to related companies).

During the Period, the operations of the Group were mainly financed by WIHL. With unsatisfactory results, the total liabilities to the total assets ratio has been remained at a high gearing region at 939% (as at 31st December 2003: 992%).

Bank loans

As at 30th June 2004, the balance of loans was HK$3,583,000 (as at 31st December 2003: HK$7,710,000) while the balance of bank overdraft was HK$nil (as at 31st December 2003: HK$464,000). The decrease in the balances of bank loans and bank overdraft during the Period was mainly because all the Hong Kong dollars denominated bank loans and overdraft were replaced and refinanced by the interest free loan from WIHL. As at 30th June 2004, the loans were denominated in Renminbi (as at 31st December 2003: HK$3,583,000). The loans comprise a fixed rate HK$755,000 government loan at 2.5% per annum and an interest free government loan of HK$2,828,000.

For the period ended 30th June 2004, the interest rate for both Hong Kong dollar and Renminbi is relatively stable and therefore no financial derivatives has been arranged to migrate the fluctuation of the interest rate risk.

As our principal activities are mainly carried out in the Mainland China, the fluctuation of the exchange rate between Hong Kong dollar and Renminbi is critical to our business. Since the value of Renminbi is relatively stable in the previous years, management did not arrange hedging for the exchange rate risk for the period ended 30th June 2004.

Charges on group assets

As at 30th June 2004, there are no charges on the group assets.

Contingent liabilities

At 30th June 2004, DICO, a subsidiary of the Company provided a corporate guarantee in respect of banking facilities granted by a bank (the “Lender”) to a third party (the “Borrower”) to the extent of HK$6,675,000 (2003:HK$6,675,000).

Arbitration proceedings have been commenced in April 2003 by the Lender against the Borrower and DICO. It was held on 26th September 2003 by the Shenzhen Arbitration Tribunal that the Borrower is liable to repay the outstanding amount to the Lender and that DICO is also liable for the remaining payment of such amount. DICO has not received any further notice from the Lender on this matter.

Capital Commitment

As at 30th June 2004, the Group did not have outstanding capital commitment.

Employee

As at 30th June 2004, the Group had 32 (31st December 2003: 32) employees, majority of which were based in the PRC.

The Directors believe that the quality of our employees is the most important factor in sustaining the Group's growth and improving its cost effectiveness. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme, share options and performance bonus.

The subsidiaries of the Group in the PRC participate in the defined contribution pension schemes operated by the relevant local government authorities in the PRC while the Group's directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme since December 2000. The total amount contributed to the relevant pension schemes for the Year was HK$175,000 (2003: HK$146,000).

BUSINESS REVIEW OF SANG FEI

On 24th September 2004, the acquisition of the 65% equity interest in Sang Fei by the Company has been completed. For the purpose of providing our shareholders with additional information on the development of the company, set out below is the business review of Sang Fei for the first six months of 2004. The unaudited pro forma financial statements of the Group and Sang Fei (the "Enlarged Group") are set out on page 30 of this report.

It should be noted that the financials of Sang Fei for the six months ended 30th June 2004 will not be accounted for in the consolidated financial statements of the Group. The information of Sang Fei as set out below and the unaudited pro forma financial statements for the six months ended 30th June 2004 of the Enlarged Group are prepared for illustrative purpose only.

Operational Review

During the first half of 2004, driven by the rapid and sustained growth of the economy, the demand of mobile phones continued to in a fast pace, and the trend that of mobile phones substituting traditional fixed lines become more visible. The ever-increasing demand in mobile phone strengthens the business of Sang Fei, which in turn brings sustained growth in both revenue and net profit to the company. Although the competition within the industry is intense, Sang Fei sold a total of 3.86 million units of mobile phones, represented a growth of 1.8 times over the same period last year. The sales included mobile phones sold to the local market of approximately 2 million units and those sold to overseas markets of approximately 1.86 million units, these represented increases over the same period last year of approximately 340% and 100% respectively.

In the area of overall cost control, Sang Fei had implemented various effective cost control measures, including more cautious inventory control and raw material procurement policies, which enabled the company to attain the same profit before tax margin as of last year. For the first half of both 2004 and 2003, the profits before tax margin of Sang Fei were approximately 2.19%.

Financial Review

Turnover

During the first half of 2004, Sang Fei recorded a turnover of approximately HK$2,024,814,000, represented an increase of 180% over the same period last year. The increase was mainly because Sang Fei actively developed the business of its own branded as well as new OEM branded products so as to maintain its market competitiveness. Moreover, due to the outbreak of Severe Acute Respiratory Syndrome in 2003, the overall retailed market was slowed down last year. On the other hand, the growth in market demand in mobile phones, including Philips and other OEM customers, were obvious. During the period, Sang Fei has produced a total of 12 series of Philips mobile phones (with 18 models), 37 models of other OEM branded mobile phones and 8 models of own branded mobile phones. These represented an increase of over 3 times as compared to the same period last year.

During the first half of 2004, Sang Fei attained an overall average selling price of RMB556. No significant variance was noted as compared to last year. Despite the average material cost were increased when additional functions and more advanced features were built into the new mobile phones, Sang Fei had been successful in implementing global material sourcing channels which effectively minimize the overall impact to the company.

Cost of Sales

The cost of sales increases in line with sales revenue by approximately 183%, amounting to approximately HK$1,929,296,000. The primary component of the cost of sales was raw material cost, which represented approximately 95% of the total cost. Despite there was a general decrease in the market price of the raw materials, the cost of raw materials consumed had been increased by approximately 189%. The increase was primarily attributable to the growth in turnover, and was because more expensive components were being utilized when additional functions and more advanced features, like high resolution camera modules, were built into the new mobile phones, which resulted to higher average production cost of the new products.

Gross Profit

Sang Fei recorded an average gross profit of approximately HK$95,518,000 and a gross margin of approximately 4.7% during the first half of 2004. As compared to approximately 5.9% in last year, the decrease in gross profit margin was primarily due to the keen market competition.

Net Profit

The net profit for the first half of 2004 was HK$40,881,000, represented an increase of 2 times over the same period last year. The net profit margin was approximately 2%, represented a mild increase of 0.1% as compared to previous year. The increase in net profit was largely attributable to the growth in the sales turnover. In addition to the effective cost control measures implemented during the period, as well as the strengthening in overall management control which further improved the overall efficiency of the company, Sang Fei had laid a solid foundation for sustained profitability.

Major Customers and Suppliers

During the period, the five largest customers of Sang Fei accounted for approximately 96% of its turnover. Sales to the largest customer accounted for about 37% of its turnover. Out of the five largest customers, four of them are the group companies of Koninklijke Philips Electronics N.V. ("KPE"). KPE, through its group companies, holds 25% of Sang Fei's equity interest and is a substantial shareholder of the company.

The five largest supplier of Sang Fei in aggregate accounted for about 48% of its goods and services. Purchases from the largest supplier accounted for about 29% of its purchases. The largest supplier is a group company of KPE.

Save as disclosed above, none of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in any of the five largest customers and the five largest suppliers of Sang Fei noted above.

Bank Loan and Contingent Liabilities

As at 30th June 2004, Sang Fei had unsecured bank borrowings of HK$518,868,000 (at 31st December 2003: HK$309,434,000). The unsecured bank borrowings were all denominated in RMB and were borrowed at contracted fixed interest rate. As at 30th June 2004, the company had available loan facilities of approximately RMB 800 million. Sang Fei will make use of hedging contracts, when appropriate, to leverage the risk of foreign exchange fluctuation.

As at 30th June 2004, Sang Fei did not have any pledged assets, guarantee or contingent liabilities.

Capital Resources and Liquidity

The capital resources of Sang Fei was primarily generated from its operation and from the short term bank borrowings. As at 30th June 2004 and 31st December 2003, the company had net current assets of HK$226,837,000 and HK$191,616,000 respectively. The increase was primarily due to the increase in inventory and decrease in other payables, and was offset by the increase in short term bank borrowings.

The overall gearing ratio, which was calculated as the total borrowings over total asset of the company, was 77%.

BUSINESS PROSPECT OF SANG FEI

Sang Fei, being the Group's sole operating company, seeks to establish itself as the major mobile phone provider for CEC, the Philips Group and its other OEM and ODM customers with a long term view of becoming a leading consumer communications product provider in the PRC.

Sang Fei will seize to enhance its current OEM manufacturing arrangements with the Philips Group, and in the meantime to broaden its OEM/ODM customer base so as to strengthen its foundation. By capitalize on the know-how and experience it has gained, together with the support with which CEC could provide in terms of design capabilities and extensive distribution channels, Sang Fei will continue to develop its own-branded mobile phone products so as to diversify its product profile and income source, and to improve the company's profitability as a whole.

With the broadening of its customer base and continued development of its own-branded mobile phones, Sang Fei plans to increase the range of its products and to enhance its market competitiveness through the acquisition of further production equipment, increase of production space and recruitment of additional staff.

Base on current production projections, Sang Fei has acquired its sixth SMA production line and also, through subcontracting arrangements, plans to acquire the use of a seventh SMA production line before the end of 2004.

At present, Sang Fei has the capability of producing GSM, CDMA and PHS mobile phones. It plans to upgrade and replace part of its production facilities and related testing equipment when necessary. Sang Fei also plans to acquire the ability to produce 3G mobile phones and to produce lead-free mobile phones by end of 2004, so that the company can provide more extensive services to local and oversea markets, which in turn improve the overall profitability of the company as a whole.

CHANGE OF DIRECTORS

Following the completion of the Acquisition, Mr. Yang Xiaotang (Chairman) and Mr. Tong Baoan (Vice Chairman) are appointed as non-executive directors, Mr. Fan Qingwu (Managing Director) and Mr. Hua Longxing are appointed as executive directors and Mr. Yin Yongli is appointed as independent non-executive director in place of Mr. Chan Chak Shing, Mr. Chan Hon Ching, Ms. Lo Mei Chun and Ms. Chiu King Cheung with effect from 24th September 2004.

The biography and information of each of the new Directors is set out below:

Non-executive Directors

Mr. Yang Xiaotang (楊曉堂), aged 61, is the Chairman of the new Board of Directors. He graduated from Yangzhou University, the PRC. He is currently the president and legal representative of CEC. Prior to joining CEC in 2001, he has been the Vice Governor of the State Development Bank of China for 4 years. During 1992 to 1998, Mr. Yang was the deputy provincial governor of Jiangsu Province, and the general secretary of Suzhou City. Before that, he had been the Deputy City Mayor and thereafter the Mayor of Changzhou City, Jiangsu Province during the period from 1988 to 1992. Before 1988, he was the vice president and subsequently president of JinLing Petrochemical Corp.

Mr. Tong Baoan (佟保安), aged 56, is the Vice Chairman of the new Board of Directors. He graduated from Tianjin University, the PRC. Mr. Tong is currently the Vice President of CEC. Prior to joining CEC in 2001, he was initially the General Manager of Shenzhen Sang Da Electronics Corporation during the period from 1996 to 2001.

Executive Directors

Mr. Fan Qingwu (范卿午), aged 41, is the Managing Director of the Company. He graduated from the Renmin University of China in the PRC. From 1996 to 1999, Mr. Fan was the Executive Vice President of China Securities Industry Institute. After that, he was the General Manager of the Investment Banking Department and the Asset Management Department of CEC until the year 2003. He is currently the Vice President of China Electronics Industry Corporation and is a director of Sang Fei.

Mr. Hua Longxing (華龍興), aged 62, graduated from the Faculty of Wireless Engineering of Southeast University in the PRC. From 1993 to 2000, Mr. Hua was the Vice-Chairman of the board of directors and General Manager of Shenzhen SED Industry Company Limited. Before that, he was the Deputy General Manager of Shenzhen Sang Da Electronics Corporation. From 1983 to 1987, he was the director of the Liaison Division of the office of Ministry of Electronics Industry in Shenzhen Economic Zone. Mr. Hua currently is also the Chairman of the board of directors of Sang Fei, and has been in office since the establishment of Sang Fei.

Independent non-executive director

Mr. Yin Yongli (尹永利), aged 64, graduated from Shandong Finance Institute, the PRC. He is currently (and has since September 2001 been) the Chairman of China Rightson Certified Public Accountants. He was the chairman of another firm of auditors in the PRC for the period from 1998 to 2001. Before that, he spent over 20 years in the petroleum industry in the PRC as an accountant of Sinopec Corporation. From the years 1985 to 1988, he became the chief accountant of the financial planning department. From 1988 to 1998 he was the deputy department head of the financial department.

Mr. Chan Kay Cheung and Mr. Wong Po Yan remain as independent non-executive Directors of the Company.

CHANGE OF AUTHORISED REPRESENTATIVES, QUALIFIED ACCOUNTANT AND COMPANY SECERTARY

Following the completion of the Acquisition, Mr. Fan Qingwu and Mr. Yam Pui Hung Robert are appointed as the authorised representatives of the Company in place of Mr. Chan Chak Shing and Mr. Chan Hon Ching for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with effect from 24th September 2004.

Apart from the above, Mr. Yam Pui Hung Robert is appointed as qualified accountant of the Company in place of Mr. Lee Tak Fai for the purpose of the Listing Rules with effect from 24th September 2004. Mr. Yam is also appointed as the company secretary of the Company in place of Mr. Lo Wai Chuen with effect from 24th September 2004.

CHANGE OF NAME

The shareholders of the Company approved the change of name of the Company from Winsan (China) Investment Group Company Limited to China Electronics Corporation Holdings Company Limited at the SGM held on 14th July 2004. For identification purposes, the Company will adopt "中國電子集團控股有限公司" as its Chinese name.

SUBSCRIPTION OF SHARES

In order to obtain the listing of and permission to deal in the consideration shares which was the last condition precedent to the completion of the Acquisition, the Company has entered into the Subscription Agreements dated 17th September 2004 and has allotted 610,000,000 new Winsan shares on 24th September 2004 to the subscribers at a price of HK$0.233 per share of the Company (the "Subscription") pursuant to Rule 8.08 of the Listing Rules.

The net proceeds from the Subscription of approximately HK$142 million will be earmarked as to approximately HK$35.5 million for working capital of the New Group while the balance of approximately HK$106.5 million is set aside for opportunistic investments and/or acquisition by the Company.

CHANGE OF BOARD LOT SIZE

The size of each board lot of the Company's shares was changed from 2,000 to 10,000 with effect from 24th September 2004, the completion of the Acquisition.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2004, the Company had been notified of the following substantial shareholders' interests in the shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of shares held
WIHL	781,372,870

Following the completion of the Acquisition on 24th September 2004, a total of 6,500,000,000 shares of the Company was issued to China Electronics Corporation (BVI) Holdings Company Limited ("CEC BVI"). The number of shares held by CEC BVI and WIHL and their respective shareholding in the Company are as follows:

Name of shareholder	Number of shares held	Percentage Shareholding
CEC BVI	6,500,000,000	74.98%
WIHL	781,372,870	9.01%

ULTIMATE HOLDING COMPANY

After the completion of the Acquisition on 24th September 2004, the Board of Directors regards China Electronics Corporation, a company established in the PRC, as the ultimate holding company.

CHAPTER 13.13 TO THE LISTING RULES

The following information is disclosed in accordance with the requirement under Chapter 13.13 to the Listing Rules.

(a) *Trade receivables*

As at 30th June 2004, the amount of trade receivable was approximately HK$23,572. All these trade receivables had no collateral, were non-interest bearing with credit period ranging from 30 to 180 days and were all due from independent third parties (persons not connected with a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates) and incurred in the ordinary course of business of the Group.

The details of the abovementioned balances were as follows:

Name of trade receivables	**HK$**
天津市東麗區源豐空車配貨信息服服務站 Yuanfeng Load-Matching For Vacant Vechile Information Service Station of Dougli District in Tianjin City*	9,429
石家莊市大件運輸有限公司 Great Pieces Transportation Co., Ltd. of Shijiazhuang City*	14,143
	23,572

* Free translation, for identification purposes only

(b) *Outstanding guarantee*

深圳迪科信息技術有限責任公司 (Shenzhen DIC Information Technologies Company Limited), a company that is now a 70% owned subsidiary of the Company, gave a guarantee in respect of certain banking facilities granted to 深圳市迪科網絡有限公司 (Shenzhen Dico Net Company Limited), a third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules. The guarantee was given in favour of 興業銀行深圳分行 (Industrial Bank Co. Ltd. Shenzhen Branch) on 24th August 2000 before Shenzhen DIC Information Technologies Company Limited was acquired by the Company in October 2001.

As at 30th June 2004, the principal amount so guaranteed was approximately HK$6,675,000.

Saved as disclosed above, there is no other disclosure required to be made by the Company pursuant to Chapter 13.13 to the Listing Rules as at 30th June 2004.

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30th June 2004, the interests of the then directors in the shares and the underlying shares of the Company (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO as follows:

(a) Number of shares of HK$0.01 each and underlying shares in the Company

Name of director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total interests as % of the relevant issued share capital
Mr. Chan Chak Shing	25,000,000[(1)]	37,800,000[(2)]	781,372,870[(3)]	–	844,172,870	54.16
Mr. Chan Hon Ching	36,250,000[(4)]	–	–	–	36,250,000	2.32
Ms. Lo Mei Chun	1,600,000[(5)]	–	–	–	1,600,000	0.10
Ms. Chiu King Cheung	27,812,500[(6)]	–	–	–	27,812,500	1.78

Notes:

1. The personal interest of Mr. Chan Chak Shing represents the interest in 25,000,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the following section headed "Share options".

2. The family interest of Mr. Chan Chak Shing represents the interest in 33,000,000 shares and interest in 4,800,000 underlying shares in respect of the share options granted by the Company of the spouse of Mr. Chan Chak Shing, the details of which are set out in the following section headed "Share options".

3. 781,372,870 shares are held through WIHL, which is beneficially owned and controlled by Mr. Chan Chak Shing.

4. The personal interest of Mr. Chan Hon Ching represents the interest in 11,250,000 shares and interest in 25,000,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the following section headed "Share options".

5. The personal interest of Ms. Lo Mei Chun represents the interest in 1,600,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the following section headed "Share options".

6. The personal interest of Ms. Chiu King Cheung represents the interest in 3,812,500 shares and interest in 24,000,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the following section headed "Share options".

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES (continued)

(b) Share options

During the six months ended 30th June 2004, no options have been cancelled and lapsed under share option scheme adopted by the Company on 5th July 1997 (the "Share Option Scheme"). As at 30th June 2004, there were a total of 80,480,000 outstanding options under the Share Option Scheme. No options have been granted under the new share option scheme adopted on 20th June 2002 ("New Scheme"). Details of the share options outstanding under the Share Option Scheme are as follows:

Name	Date of grant	Exercise price	Number of options as at 1st January 2004	Options lapsed during the period	Options exercised during the period	Number of outstanding options as at 30th June 2004
Directors						
Mr. Chan Chak Shing	1st September 1997	HK$1.53	16,000,000	–	–	16,000,000
	31st March 1998	HK$0.36	11,500,000	–	–	11,500,000
	16th February 2000	HK$0.24	2,300,000	–	–	2,300,000
Mr. Chan Hon Ching	1st September 1997	HK$1.53	1,000,000	–	–	1,000,000
	31st March 1998	HK$0.36	22,000,000	–	–	22,000,000
	16th February 2000	HK$0.24	2,000,000	–	–	2,000,000
Ms. Lo Mei Chun	1st September 1997	HK$1.53	600,000	–	–	600,000
	30th October 2000	HK$0.173	1,000,000	–	–	1,000,000
Ms. Chiu King Cheung	1st September 1997	HK$1.53	1,000,000	–	–	1,000,000
	31st March 1998	HK$0.36	22,000,000	–	–	22,000,000
	16th February 2000	HK$0.24	1,000,000	–	–	1,000,000
Employees	30th October 2000	HK$0.173	80,000	–	–	80,000
			80,480,000	–	–	80,480,000

All the above options are exercisable within the period of 10 years from the date of grant.

The average exercise price of the share options granted is above the market value of the Company's shares as at 30th June 2004 and accordingly, the directors are of the view that the disclosure of the value of the share options granted is not meaningful.

All the interests disclosed above represent long position in the shares and the underlying shares of the Company. As at 30th June 2004, no short positions were recorded in the register required to be kept under Section 352 of the SFO. On 24th September 2004, the directors and the employees entitled to the Share Option Scheme have forfeited their right to exercise the share options.

Save as disclosed above, at no time during the six months ended 30th June 2004 the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

As at the date of this report, neither the new directors nor any of their associates has interests in the shares and the underlying shares of the Company (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

AUDIT COMMITTEE

The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with management its internal controls and financial statements. During the period, the Audit Committee has reviewed the unaudited interim financial statements for the six months ended 30th June 2004.

Mr. Yin Yongli is appointed as a member of the Audit Committee of the Company with effect from 24th September 2004. As at the date of this report, the Audit Committee comprises of Mr. Chan Kay Cheung, Mr. Wong Po Yan and Mr. Yin Yongli.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 any of the Company's shares during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The directors are pleased to confirm that during the six months ended 30th June 2004, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-Laws.

By Order of the Board
Yang Xiaotang
Chairman

Hong Kong, 24th September 2004

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

For illustrative purpose only, set out below is the unaudited pro forma financial information of Winsan (China) Investment Group Company Limited (to be renamed as China Electronic Corporation Holdings Company Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Winsan Group") assuming the completion of the acquisition (the "Acquisition") of the 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei") (the "Enlarged Group"). The pro forma financial information is prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of providing investors with information to illustrate the effect of the Acquisition on the financial statements of the Enlarged Group.

I. Unaudited pro forma condensed financial statements

The following are the unaudited pro forma combined condensed financial statements of the Enlarged Group which have been prepared on the basis stated in note 1 of section (D) below. The statements have been prepared for illustrative purpose only and because of their nature, they may not give a true picture of the financial statements of the Enlarged Group had the Acquisition actually been completed as at the relevant dates as set out in the basis stated.

(A) Pro forma combined condensed profit and loss account

For the six months ended 30th June 2004

	Winsan Group	Sang Fei	Aggregated	Pro forma adjustments	Notes	Pro forma combined figures
	HK$'000	HK$'000	HK$'000	HK$'000		HK$'000
Turnover	9	2,024,814	2,024,823			2,024,823
Cost of sales	(2)	(1,929,296)	(1,929,298)			(1,929,298)
Gross profit	7	95,518	95,525			95,525
Other revenues	1	16,605	16,606			16,606
Selling expenses	(109)	(16,106)	(16,215)			(16,215)
Administrative expenses	(8,416)	(37,666)	(46,082)	(5,233)	3(c)	(51,315)
Amortisation of goodwill	(1,569)	–	(1,569)			(1,569)
Write back of impairment loss on goodwill	1,569	–	1,569			1,569
Other operating expenses, net	(31)	(6,569)	(6,600)			(6,600)
Operating (loss)/profit before financing	(8,548)	51,782	43,234			38,001
Finance costs	(79)	(7,391)	(7,470)			(7,470)
(Loss)/profit before taxation	(8,627)	44,391	35,764			30,531
Taxation	–	(3,510)	(3,510)			(3,510)
(Loss)/profit after taxation	(8,627)	40,881	32,254			27,021
Minority interests	–	–	–	(14,308)	3(b)	(14,308)
(Loss)/profit attributable to shareholders	(8,627)	40,881	32,254			12,713

I. Unaudited pro forma condensed financial statements (continued)

(B) Pro forma combined condensed balance sheet

As at 30th June 2004

	Winsan Group HK$'000	Sang Fei HK$'000	Aggregated HK$'000	Pro forma adjustments HK$'000	Notes	Pro forma combined figures HK$'000
Goodwill	–	–	–	104,660	3(b)	104,660
Intangible assets	–	3,976	3,976			3,976
Fixed assets	2,640	93,598	96,238			96,238
Current assets						
Inventories	113	397,467	397,580			397,580
Trade and other receivables	5,525	833,010	838,535	(5,216)	3(b)	833,319
Bank balances and cash	765	73,894	74,659			74,659
	6,403	1,304,371	1,310,774			1,305,558
Current liabilities						
Amounts due to related companies	67,383	-	67,383	(38,745)	3(a)	28,638
Trade and other payables	13,927	528,845	542,772			542,772
Taxation payables	-	1,563	1,563			1,563
Provisions	-	28,258	28,258			28,258
Short-term loans, unsecured	3,583	518,868	522,451			522,451
	84,893	1,077,534	1,162,427			1,123,682
Net current (liabilities)/assets	(78,490)	226,837	148,347			181,876
	(75,850)	324,411	248,561			386,750
Financed by:						
Share capital	15,585	260,821	276,406	(195,821)		80,585
				65,000	3(b)	
				(260,821)	3(b)	
Capital reserve	–	–	–	151,288	3(b)	151,288
Other reserves	140,280	20,163	160,443	(147,337)	3(b)	13,106
(Accumulated losses)/ retained earning	(231,715)	43,427	(188,288)	216,515		28,227
				38,745	3(a)	
				177,770	3(b)	
(Capital deficiency)/ shareholders' funds	(75,850)	324,411	248,561			273,206
Minority interests	–	–	–	113,544		113,544
				99,236	3(b)	
				14,308	3(b)	
	(75,850)	324,411	248,561			386,750

(I) Unaudited pro forma condensed financial statements (continued)

(C) Pro forma combined condensed cash flow statement

For the six months ended 30th June 2004

	Winsan Group HK$'000	Sang Fei HK$'000	Pro forma Combined Figures HK$'000
Net cash outflow from operating activities	(9,226)	(134,745)	(143,971)
Net cash outflow from investing activities	(78)	(24,253)	(24,331)
Net cash inflow from financing activities	9,299	209,434	218,733
(Decrease) /increase in cash and cash equivalents	(5)	50,436	50,431

(D) Notes to unaudited pro forma condensed financial statements

1. Basis of preparation

It was announced by the directors on 20th December 2003 that the Winsan Group has entered into the acquisition agreement (the "Acquisition Agreement") with China Electronics Corporation ("CEC"), a state-owned enterprise in the People's Republic of China (the "PRC") to acquire from CEC its entire 65% equity interest in Sang Fei, a sino-foreign joint venture company incorporated in the PRC principally engaged in the manufacturing and sale of mobile phones, at a consideration of HK$260,000,000. The consideration will be satisfied by the issuance of 6,500,000,000 shares of the Company at HK$0.04 per share (the "Consideration Shares").

The pro forma combined condensed profit and loss account and the pro forma combined condensed cash flow statement for the six months ended 30th June 2004 and the pro forma combined condensed balance sheet as at 30th June 2004 of the Enlarged Group have been prepared based on the unaudited management accounts of the Company and of Sang Fei for the six months ended 30 June 2004, after making certain pro forma adjustments as set out in note 3 below. For the purpose of the unaudited pro forma condensed financial statements, the balance sheet of Sang Fei as at 30th June 2004 has been translated from Renminbi to Hong Kong dollars at the exchange rate ruling at 30th June 2004 whilst the profit and loss account and the cash flow statement have been translated at the average rate for the six months ended 30th June 2004.

The pro forma combined condensed profit and loss account and the pro forma combined condensed cash flow statement for the six months ended 30th June 2004 of the Enlarged Group have been prepared assuming that the Acquisition had been completed as at 1st January 2004.

The pro forma combined condensed balance sheet as at 30th June 2004 of the Enlarged Group has been prepared assuming that the Acquisition had been completed as at 30th June 2004.

2. Reverse acquisition and goodwill

(a) The Acquisition will be accounted for as a reverse acquisition under accounting principles generally accepted in Hong Kong since the issuance of the Consideration Shares in exchange of the 65% equity interest in Sang Fei will result in CEC replacing Winsan International Holdings Limited ("Winsan International") to become the controlling shareholder of the Company. For accounting purpose, Sang Fei is regarded as the acquirer while the Winsan Group is deemed to have been acquired by Sang Fei.

Sang Fei will apply the purchase method in accounting for the deemed acquisition of the Winsan Group. In applying the purchase method, the purchase consideration deemed to be paid by Sang Fei represents the shares of Sang Fei, measured at the fair value of Sang Fei at the date of completion of the Acquisition, that are deemed to be issued for the acquisition of the

Winsan Group (assuming the completion of the settlement of liabilities as described in note 3(a) below). The assets and liabilities of the Winsan Group will be recorded on the balance sheet of the Enlarged Group at their fair value as at the date of completion of Acquisition. Any goodwill or negative goodwill arising from the Acquisition represents the excess or deficit of the cost of acquisition deemed to be incurred by Sang Fei over the fair value of the separable assets and liabilities of the Group at the date of completion of Acquisition.

For the purpose of preparation of the unaudited pro forma financial information and for illustrative purpose, the goodwill arising from the Acquisition is estimated to be HK$104,660,000. The goodwill is determined as the excess of the estimated cost of acquisition deemed to be incurred by Sang Fei of HK$62,339,000 and the expenses of HK$5,216,000 incurred in relation to the Acquisition, totaling approximately HK$67,555,000, over the fair value of the separable assets and liabilities of the Winsan Group at the date of completion of the Acquisition which is taken to be a net liability value of approximately HK$37,105,000. This pro forma net liability value of the Winsan Group represents the book value of the assets and liabilities of the Winsan Group as stated in its unaudited consolidated financial statements as at 30th June 2004, being a net liability value of approximately HK$75,850,000, as adjusted to reflect the settlement of liabilities amounting to HK$38,745,000 by Winsan International on behalf of the Winsan Group

(b) The unaudited net liability value of the Winsan Group as at 30th June 2004 of HK$75,850,000 included a net liability value of HK$38,690,000 attributable to the Shenzhen DIC Information Technologies Co., Ltd. ("DIC Group") and the Transonline Holdings Limited ("Transonline Group") which will be disposed of within two weeks after completion of Acquisition according to the Acquisition Agreement (the "Future Disposals"). On the assumption that the Future Disposals are to be completed and that the consideration of the Future Disposals is nil, the net liability value of the Winsan Group will decrease by approximately HK$38,690,000, based on the unaudited financial statements of the Group as at 30th June 2004. The decrease in net liability value of the Winsan Group resulting from the Future Disposals will have a corresponding downward adjustment to the goodwill arising from the Acquisition.

(c) On completion of the Acquisition, the cost of acquisition deemed to be incurred by Sang Fei and the fair value of the separable tangible and intangible assets and liabilities of the Winsan Group will have to be reassessed. As a result of the assessment, the cost of acquisition consideration deemed to be incurred by Sang Fei and the fair value of the separable assets and liabilities of the Winsan Group may be different from the amounts estimated on the basis stated in note 2(a) above for the purpose of the preparation of the unaudited pro forma condensed financial statements. Accordingly, the actual goodwill at the date of completion of the Acquisition may be different from that presented above.

3. Pro forma adjustments

(a) The adjustments reflect the amounts of liabilities to be settled by Winsan International, the ultimate shareholder of the Company, upon completion of Acquisition. Under the Acquisition Agreement, Winsan International has undertaken, at its own cost, to repay all existing loans of the Winsan Group (other than those of the Transonline Group and the DIC Group) and related interest and the release of all guarantees and other securities before Completion of Acquisition. It will also, at completion of Acquisition, waive all amounts receivable by it or its associates from the Winsan Group (other than those of the Transonline Group and the DIC Group) and bear all indebtedness and expenses incurred by the Winsan Group prior to completion of the Acquisition (apart from certain agreed expenses associated with the Acquisition which will continue to be borne by the Winsan Group).

(b) The adjustments reflect:

(i) The issuance of the 6,500,000,000 Consideration Shares of HK$0.01 each to CEC on completion of Acquisition;

(ii) Expenses to be included in relation to the Acquisition;

(iii) The elimination of the share capital and reserves, and the creation of capital reserve due to the reverse acquisition;

(iv) Goodwill arising from the deemed acquisition of the Group by Sang Fei (see note 2 (a) above); and

(v) The minority's share of the profit for the six months ended 30th June 2004 and the net assets as at 30th June 2004 of Sang Fei.

(c) This adjustment reflects the amortisation of goodwill arising from the deemed acquisition of the Group by Sang Fei, over an estimated useful life of 10 years. The amount of amortisation as stated does not reflect the effect of the Future Disposals on the goodwill balance as mentioned in note 2(b) above. On the assumption that the Future Disposals are to be completed and the estimated useful life of goodwill is taken to be 10 years, the annual amount of amortisation of goodwill would be reduced by approximately HK$3,869,000.

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The Directors
Winsan (China) Investment Group Company Limited
Room 908, 9th Floor
Sun Hung Kai Centre
No. 30 Harbour Road
Wanchai
Hong Kong

24th September 2004

Dear Sirs,

Unaudited pro forma financial information

We report on the unaudited pro forma financial information of Winsan (China) Investment Group Company Limited (to be renamed as China Electronic Corporation Holdings Company Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 30 to 36 under the heading of unaudited pro forma condensed financial statements in the Company's interim report for the six months ended 30th June 2004 (the "Interim Report"). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the acquisition by the Company of a 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei") (the "Acquisition") might have affected the relevant financial information of the Group assuming completion of the Acquisition (the "Enlarged Group").

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma combined financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information. The unaudited pro forma financial information has been prepared on the basis set out in the note 1 on page 34 for illustrative purpose only and, because of its nature, it may not be indicative of:

(a) the results and cash flows of the Enlarged Group for any future periods; or

(b) the financial position of the Enlarged Group at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma combined financial information set out on pages 30 to 36 has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong