

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is 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"), is engaged in property development; design and marketing of consumer packaged electronics.

SEGMENTED INFORMATION

Particulars of the Group's turnover and segment information are set out in notes 4 and 5 to the financial statements.

RESULTS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group as at 31 December 2004 are set out in the financial statements on pages 31 to 101.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2004 (9 months ended 31 December 2003: Nil).

COMPARATIVE FINANCIAL INFORMATION

The consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the Group's published audited financial statements, are set out below:

RESULTS

	Year ended 31 December 2004 HK\$'000	Nine months ended 31 December 2003 HK\$'000	Year ended 31 March 2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Net profit/(loss) attributable to shareholders	82,579	80,971	13,845	(32,488)	15,677

ASSETS AND LIABILITIES

	31 December 2004 HK\$'000	2003 HK\$'000	2003 HK\$'000	31 March 2002 HK\$'000	2001 HK\$'000
Total assets	5,564,927	5,905,479	5,920,928	5,427,815	3,355,509
Total liabilities and minority interests	(2,093,107)	(2,919,396)	(3,212,625)	(2,745,001)	(1,478,774)
Net assets	3,471,820	2,986,083	2,708,303	2,682,814	1,876,735

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

R EPORT OF THE DIRECTORS

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

ASSOCIATES

Particulars of the Company's and the Group's associates are set out in note 15 to the financial statements.

BORROWINGS

Details of borrowings of the Company and the Group are set out in note 28 to the financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of movements in the share capital and share premium of the Company during the year, together with the reasons therefor, are set out in notes 30 and 32 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2004, the amount of the Company's reserves available for distribution to shareholders was approximately HK\$131,223,000. In addition, the Company's share premium account with a balance of HK\$472,736,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2004 accounted for less than 30% of the Group's total turnover and purchases, respectively, for the year.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 36 to the financial statements.

PENSION COSTS

Details of pension costs in respect of the year are set out in note 42 to the financial statements.

R EPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. YU Pun Hoi (<i>Chairman</i>)	
Mr. ZHANG Hong Ren	
Mr. LI Shilin #	
Mr. LUO Ning #	
Mr. LAM Bing Kwan #	
Mr. QIN Tian Xiang*	(appointed on 30 September 2004)
Mr. CHAN Lap Stanley*	(appointed on 30 September 2004)
Mr. FUNG Wing Lap*	(appointed on 30 September 2004)
Mr. SUN Yalei #	(retired on 11 June 2004)
Ms. WONG King King #	(redesignated as non-executive director on 30 September 2004 and resigned on 28 October 2004)
Mr. Francisco Paredes ACOSTA *	(resigned on 30 September 2004)

Non-executive directors

* Independent non-executive directors

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to rule 3.13 of the Listing Rules and the Company considers that such directors are independent of the Company.

In accordance with article 87 of the Company's articles of association, Mr. Chan Lap Stanley, Mr. Fung Wing Lap and Mr. Qin Tian Xiang may hold office only until the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with article 94 of the Company's articles of association, Mr. Yu Pun Hoi and Mr. Lam Bing Kwan shall retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Yu Pun Hoi, aged 46, is the Chairman and a substantial shareholder of the Company. Mr. Yu has extensive experience in various industries including internet technology, properties investment and development, and media. Mr. Yu was a director of the Company from October 1991 to October 1994 and re-joined the Board on 31 January 1997. He is also the Chairman of South Sea, a listed subsidiary of the Company.

Mr. Zhang Hong Ren, aged 52, graduated from Beijing Institute of Economics in the PRC with a Master's degree in Economics in 1984. He has been in senior and management positions in economic research, media and computer technology industries since 1991. Mr. Zhang joined the Board on 12 October 1999. Mr. Zhang is currently the Chief Executive Officer of the Company and an executive director of South Sea, a listed subsidiary of the Company.

Non-executive Directors

Mr. Li Shilin, aged 55, is the Executive Director and Vice President of CITIC Group (a substantial shareholder of the Company), the Chairman of CITIC Guoan Group, Xin De Telecom International Ventures Co. Ltd., CITIC Guoan Information Industry Co., Ltd. (the A shares of which are listed on The Shenzhen Stock Exchange) and CITIC Offshore Helicopter Co., Ltd. Mr. Li joined the Board on 30 November 1998. Mr. Li is also an executive director of CITIC Pacific Limited, the shares of which are listed on the main board of the Stock Exchange.

R EPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Non-executive Directors

Mr. Luo Ning, aged 46, is the Director and Assistant President of CITIC Group (a substantial shareholder of the Company), the Vice Chairman of CITIC Guoan Group, the Chairman and the President of CITIC Network Co. Ltd, the Director of CITIC Guoan Information Industry Co., Ltd. (the A shares of which are listed on The Shenzhen Stock Exchange). Mr. Luo joined the Board on 5 October 1999.

Mr. Lam Bing Kwan, aged 55, graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam has been in management positions in the banking and financial industry for more than 10 years. Mr. Lam joined the Board on 14 October 1991 and was re-designated as non-executive director on 2 April 2002. Mr. Lam is currently a non-executive director of South Sea (a subsidiary of the Company) and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited and eForce Holdings Limited. The shares of all of these companies are listed on the main board of the Stock Exchange.

Independent Non-executive Directors

Mr. Qin Tian Xiang, aged 39, graduated from the National University of Defense Technology, Electronics Technique Department. Mr. Qin has been the president of Beijing Xin Shen Jian Economic & Technique Development Company since 1994. Mr. Qin was the chairman and chief executive officer of Hongkong Broad Communication Limited Corporation during the period from 1999 to 2003. Mr. Qin was the director and senior vice-president of Wool Worth Limited Corporation and the chairman and general manager of Beijing Jing Wei Real Estate Limited Corporation during the period from 1995 to 2001. Mr. Qin joined the Board on 30 September 2004. Mr. Qin is currently an independent non-executive director and audit committee member of South Sea, a subsidiary of the Company.

Mr. Chan Lap Stanley, aged 50, graduated from medical school of Zhejiang University in 1983 and also holds a Master's degree in Psychology. Mr. Chan has been an Assistant Professor in Zhejiang University in the People's Republic of China, and a researcher and chief secretary of a Research Centre for Taiwan, Macau and Hong Kong in Zhejiang University since 1997. Mr. Chan is also a business consultant in Ningbo Free Trade Zone in Zhejiang. Mr. Chan joined the Board on 30 September 2004. Mr. Chan was an independent non-executive director and an audit committee member of South Sea, a subsidiary of the Company during the period from 15 January 2003 to 30 September 2004.

Mr. Fung Wing Lap, aged 45, graduated from The Hong Kong Polytechnic University in 1992. Mr. Fung is a fellow member of Association of International Accountants and a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants. Mr. Fung has been a partner of Fung Lau & Company, Certified Public Accountants since October 2000. Mr. Fung joined the Board on 30 September 2004.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 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 ("Sino-i Shares") (excluding interests in underlying Sino-i Shares)

Name of Director	Number of Sino-i Shares			Total Interest
	Personal 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
Fung Wing Lap	10,000	–	–	10,000

- (ii) Interests in underlying Sino-i Shares

Name of Director	Number of underlying Sino-i Shares *	Nature of Interest
Zhang Hong Ren	10,000,000	Personal
Lam Bing Kwan	18,000,000	Personal

*Note:

Details of the above directors' interests in underlying Sino-i Shares (i.e. options to acquire Sino-i Shares) are also disclosed in the section headed "Share Option Scheme" below.

- (iii) 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, underlying 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, underlying 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.

R EPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS (continued)

Associated corporations (continued)

- (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

Notes:

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:

- On 30 July 2004, South Sea issued and Robina Profits Limited ("Robina") subscribed for the convertible loan notes in an aggregate principal amount of HK\$200,000,000 (the "South Sea Notes") pursuant to the subscription agreement (the "Subscription Agreement") entered into on 29 December 2003 between Robina and South Sea. 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.
- 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, Pippen 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

On 30 July 2004, South Sea issued and Robina subscribed for the South Sea Notes in an aggregate principal amount of HK\$200,000,000 pursuant to the Subscription Agreement. 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 31 December 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.

R EPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the 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 ten years after its adoption at the discretion of the Board.

On 12 November 2004, share options to subscribe for a total of 233,360,000 Sino-i Shares, representing approximately 1.68% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries and the persons who have provided research, development or other technological support or services to the Group (the "Consultants") at an exercise price of HK\$0.16 per Sino-i Share. The closing price of Sino-i Share immediately before the date of grant was HK\$0.158. Details of the share options granted during the year are as follows:

Grantee	Date of Grant	Exercisable period	Exercise price per Sino-i Share	Number of Sino-i Share under options granted during the year	No. of Sino-i Shares		
					Exercised during the year	Cancelled during the year	Outstanding as at 31 December 2004
Directors							
Zhang Hong Ren	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	5,000,000	-	-	5,000,000
		1-7-2006 to 30-6-2008	HK\$0.16	5,000,000	-	-	5,000,000
Lam Bing Kwan	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	9,000,000	-	-	9,000,000
		1-7-2006 to 30-6-2008	HK\$0.16	9,000,000	-	-	9,000,000
Employees							
In aggregate	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	96,780,000	-	895,000	95,885,000
		1-7-2006 to 30-6-2008	HK\$0.16	96,780,000	-	895,000	95,885,000
		1-1-2006 to 31-12-2008	HK\$0.16	4,100,000	-	-	4,100,000
		1-1-2007 to 31-12-2008	HK\$0.16	4,100,000	-	-	4,100,000
Consultants							
In aggregate	12-11-2004	1-1-2006 to 31-12-2008	HK\$0.16	1,800,000	-	-	1,800,000
		1-1-2007 to 31-12-2008	HK\$0.16	1,800,000	-	-	1,800,000

The directors consider that it is not appropriate to disclose the value of the share options granted during the year because any valuation of the options would be subject to a number of assumptions that would be subjective and uncertain. Owing to such reason, the directors believe that any calculation of the value of such share options would not be meaningful and might be misleading to the shareholders.

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

SHARE OPTION SCHEME (continued)

(2) Participants

The participants include:

- a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- c. any supplier of goods or services to any member of the Group or any Invested Entity;
- d. any customer of the Group or any Invested Entity;
- e. any person or entity that provides research, development or other technological support or other services to the Group or any Invested Entity;
- f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Maximum number of shares available for subscription

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30 per cent. of the issued share capital of the Company from time to time.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue.

(5) Time of acceptance

An offer of grant of an option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

(6) Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option.

R EPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

(7) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share.

(8) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2004, those persons (other than directors or chief executive of the Company) who had an interest or short position 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	Long position/ Short position	Approximate percentage of issued share capital of the Company	Notes
Kung Ai Ming	8,702,325,316	long position	43.70	1
	8,658,325,316	short position	43.48	1
Rosewood Assets Ltd	1,698,333,000	long position	8.53	2
	1,698,333,000	short position	8.53	2
First Best Assets Limited	2,000,000,000	long position	10.04	2
	2,000,000,000	short position	10.04	2
Actinna Development Limited	3,959,992,316	long position	19.88	2
	3,959,992,316	short position	19.88	2
Macro Resources Ltd	1,000,000,000	long position	5.02	2 & 3
	1,000,000,000	short position	5.02	2 & 3

R EPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS (continued)

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	Long position/ Short position	Approximate percentage of issued share capital of the Company	Notes
Righteous International Limited	1,000,000,000	long position	5.02	2
	1,000,000,000	short position	5.02	2
CITIC Group	7,468,380,000	long position	37.50	3
	2,857,470,000	short position	14.35	3
CITIC International Financial Holdings Limited	4,610,910,000	long position	23.15	3
CITIC Capital Markets Holdings Limited	4,610,910,000	long position	23.15	3
CITIC Pacific Limited	4,610,910,000	long position	23.15	3
Golden Gateway Enterprises Inc.	4,610,910,000	long position	23.15	3
Forever Glory Holdings Ltd.	4,610,910,000	long position	23.15	3
Yiu Kin Wai	2,292,330,000	long position	11.51	4
	2,000,000,000	short position	10.04	4
Empire Gate Industrial Limited	2,000,000,000	long position	10.04	4
	2,000,000,000	short position	10.04	4
Chen Peng Jing	1,805,000,000	long position	9.06	5
Procure Group Limited	1,800,000,000	long position	9.04	5
South Sea	12,515,795,316	long position	62.85	6
Lee Tat Man	1,400,000,000	long position	7.03	

Notes:

- 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.
- 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS (continued)

Notes: (continued)

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 respectively 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 4,610,910,000 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 56.38% and 28.80% 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 respectively.

CITIC Capital Active Partner Fund Limited is indirectly interested in 200,000,000 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 56.38% interest) and as to the remaining 45.60% directly by CITIC Capital Markets Holdings Limited. The interest in these 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 respectively.

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 31 December 2004, no other person (other than a director or chief executive of the Company) had notified to the Company any interest or short position in the 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.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions and connected transactions of the Company and the Group are set out in note 39 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice stipulated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") in force prior to 1 January 2005 which remains applicable to this annual report, except that the non-executive directors are not appointed for a specific terms but are subject to the retirement and rotation requirements in accordance with the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors, they all confirmed that they have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Chan Lap Stanley, Mr. Fung Wing Lap and Mr. Qin Tian Xiang. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited accounts for the year ended 31 December 2004.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Company and the Group are set out in note 43 to the financial statements.

AUDITORS

The financial statements have been audited by Messrs Grant Thornton who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting for the reappointment of auditors of the Company.

On behalf of the Board

Zhang Hong Ren

Director

Hong Kong, 25 April 2005