

SINO-I TECHNOLOGY LIMITED  
**Interim Report**  
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**INTERIM RESULTS**

The directors of Sino-i Technology Limited (the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2005, together with the comparative figures for 2004 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000 (restated)
<b>Turnover</b>			
Continuing operations		<b>381,158</b>	263,882
Discontinued operations		–	39,908
		<b>381,158</b>	303,790
<b>Continuing operations</b>			
Turnover	3	<b>381,158</b>	263,882
Cost of sales and services provided		<b>(198,462)</b>	(106,623)
<b>Gross profit</b>			
Other revenue	4	<b>1,457</b>	17,625
Administrative expenses		<b>(122,929)</b>	(91,284)
Depreciation and amortisation	5	<b>(9,391)</b>	(27,004)
Other operating expenses		<b>(5,622)</b>	(4,904)
<b>Profit from operations</b>			
Finance costs	6	<b>(4,553)</b>	(6,520)
Share of results of associates		<b>673</b>	(196)
<b>Profit before taxation</b>			
Taxation	7	<b>(627)</b>	(2,819)
<b>Profit from continuing operations</b>			
		<b>41,704</b>	42,157

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED (CONTINUED)**

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000 (restated)
<b>Discontinued operations</b>			
(Loss)/profit from discontinued operations	8	(129)	3,700
<b>Profit for the period</b>		<b>41,575</b>	<b>45,857</b>
<b>Attributable to:</b>			
Equity holders of the Company		46,961	42,085
Minority interests		(5,386)	3,772
		<b>41,575</b>	<b>45,857</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share</b>			
– Basic			
From continuing and discontinued operations	9	0.236	0.215
From continuing operations		0.236	0.205
– Diluted			
From continuing and discontinued operations	9	N/A	0.212
From continuing operations		N/A	0.202

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**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2005

		(Unaudited) 30 June 2005 HK\$'000	(Audited) 31 December 2004 HK\$'000 (restated)
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		40,203	41,196
Prepaid lease payment for leasehold land		13,268	13,394
Properties held for and under development		3,956,078	4,172,715
Interests in associates		48,180	48,312
Deposit for acquisition of a prospective associate		330,000	330,000
Other investments		–	34,162
Other available-for-sale investments		42,614	–
Intangible assets		619,436	341,126
<b>Total non-current assets</b>		<b>5,049,779</b>	<b>4,980,905</b>
<b>Current assets</b>			
Inventories		4,701	4,611
Properties under development		276,925	–
Short term investments		–	208,558
Investments at fair value through profit or loss		4,184	–
Trade receivables, other receivables and deposits	10	522,674	318,609
Cash at banks and in hand		20,536	52,244
<b>Total current assets</b>		<b>829,020</b>	<b>584,022</b>
<b>Total assets</b>		<b>5,878,799</b>	<b>5,564,927</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	12	1,991,450	1,991,450
Share premium		472,736	472,736
Other reserves		1,329	(14,085)
Retained earnings		1,287,462	1,021,719
Equity attributable to equity holders of the Company		3,752,977	3,471,820
Minority interests		1,039,343	969,668
<b>Total equity</b>		<b>4,792,320</b>	<b>4,441,488</b>

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

As at 30 June 2005

	Notes	(Unaudited) 30 June 2005 HK\$'000	(Audited) 31 December 2004 HK\$'000 (restated)
<b>Non-current liabilities</b>			
Deposit received		34,755	34,755
Deferred tax		790	790
<b>Total non-current liabilities</b>		<b>35,545</b>	<b>35,545</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	11	424,284	367,932
Provision for tax		19,793	23,864
Land premium payables		163,606	252,775
Amount due to a director		16,186	10,885
Amounts due to shareholders		5,005	5,010
Amount due to a minority shareholder		12,000	12,000
Amounts due to a prospective investee company		4,248	9,416
Bank and other borrowings		405,812	406,012
<b>Total current liabilities</b>		<b>1,050,934</b>	<b>1,087,894</b>
<b>Total liabilities</b>		<b>1,086,479</b>	<b>1,123,439</b>
<b>Total equity and liabilities</b>		<b>5,878,799</b>	<b>5,564,927</b>
<b>Net current liabilities</b>		<b>221,914</b>	<b>503,872</b>
<b>Total assets less current liabilities</b>		<b>4,827,865</b>	<b>4,477,033</b>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED**

For the six months ended 30 June 2005

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>19,967</b>	264,686
Net cash outflow from investing activities	<b>(51,475)</b>	(223,950)
Net cash outflow from financing activities	<b>(200)</b>	(108,738)
Decrease in cash and cash equivalents	<b>(31,708)</b>	(68,002)
Cash and cash equivalents at beginning of the period	<b>52,244</b>	107,464
Cash and cash equivalents at end of the period	<b>20,536</b>	39,462
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>20,536</b>	39,462

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

For the six months ended 30 June 2005

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity attributable to equity holders of the Company		Minority interest HK\$'000	Total Equity HK\$'000
							Option reserve HK\$'000	Share holders of the Company HK\$'000		
At 1 January 2004	1,591,450	472,736	2,258	(33,408)	6,379	946,668	-	2,986,083	1,011,248	3,997,331
Exchange differences	-	-	-	-	184	-	-	184	-	184
Transfer to general reserve	-	-	-	7,528	-	(7,528)	-	-	-	-
Net income/ (loss) recognised directly in equity	-	-	-	7,528	184	(7,528)	-	184	-	184
Profit for the period	-	-	-	-	-	42,085	-	42,085	3,772	45,857
Total recognised income for the period	-	-	-	7,528	184	34,557	-	42,269	3,772	46,041
Disposal and deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	(50,513)	(50,513)
Conversion of convertible notes into share capital	380,000	-	-	-	-	-	-	380,000	-	380,000
At 30 June 2004	1,971,450	472,736	2,258	(25,880)	6,563	981,225	-	3,408,352	964,507	4,372,859
At 1 January 2005 as originally stated	1,991,450	472,736	2,258	(25,880)	9,537	1,021,719	-	3,471,820	969,668	4,441,488
Negative goodwill derecognised directly to equity	-	-	-	-	-	227,590	-	227,590	75,061	302,651
At 1 January 2005 as restated	1,991,450	472,736	2,258	(25,880)	9,537	1,249,309	-	3,699,410	1,044,729	4,744,139
Exchange difference	-	-	-	-	(86)	-	-	(86)	-	(86)
Transfer to general reserve	-	-	-	8,808	-	(8,808)	-	-	-	-
Net income/(loss) recognised directly in equity	-	-	-	8,808	(86)	(8,808)	-	(86)	-	(86)
Profit for the period	-	-	-	-	-	46,961	-	46,961	(5,386)	41,575
Total recognised income/ (loss) for the period	-	-	-	8,808	(86)	38,153	-	46,875	(5,386)	41,489
Recognition of share option reserve	-	-	-	-	-	-	6,692	6,692	-	6,692
At 30 June 2005	1,991,450	472,736	2,258	(17,072)	9,451	1,287,462	6,692	3,752,977	1,039,343	4,792,320

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## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2005

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and comply with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial investments which are measured at fair values and certain properties under development under current assets which are measured at the lower of cost and net realizable value.

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in the following impacts on the Group’s accounting policies and/or presentation of financial statements:

(i) *Presentation of Financial Statement*

The adoption of HKAS 1 “Presentation of Financial Statements” has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

(ii) *Share-based payments*

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of the share options granted by the Company, determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they are exercised. In accordance with the relevant provision, the Group has applied HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. The retrospective adoption of HKFRS 2 has no material effect on the prior year results and opening retained earnings at 1 January 2005.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (iii) *Financial Instruments*

In the current interim period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognize, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities under HKAS 39 are classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (“other financial liabilities”)”. Other financial liabilities are carried at amortised cost using the effective interest method.

In accordance with HKAS 39, equity investments held on a continuing basis for an identifiable long-term purpose are classified as available-for-sale financial assets and are continued to be stated at cost less impairment as the fair value cannot be reliably measured. If there is objective evidence that an individual investment has been impaired, such impairment would be recognized in the income statement. Listed equity securities held for trading purpose are classified as financial assets at fair value through profit or loss and are continued to be stated at closing price with all realized and unrealized gains or losses to be recognized in the income statement. Long term receivables are classified as other receivables and are recognized initially at cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment with changes in carrying value to be recognized in the income statement.

### (iv) *Owner-occupied Leasehold Interest in Land*

Under HKAS 17 “Leases”, the land and buildings elements of a lease of land and buildings for own use are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The Group has applied HKAS 17 retrospectively for the Group’s construction in progress included under property, plant and equipment. The retrospective adoption of HKAS 17 has no material effect on the prior year results and opening retained earnings at 1 January 2005.



## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) *Goodwill and negative goodwill*

The adoption of HKFRS 3 “Business Combination”, results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 31 December 2004:

- positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and
- negative goodwill was recognized as income over a period of twenty years.

In accordance with the provisions of HKFRS 3:

- the Group ceased amortisation of positive goodwill from 1 January 2005;
- accumulated amortisation as at 31 December 2004 has been deducted from the cost of positive goodwill;
- from the year ending 31 December 2005 onwards, positive goodwill will be tested annually for impairment, as well as when there is indication of impairment; and
- in accordance with the transitional provisions in HKFRS 3, all negative goodwill was derecognised at 1 January 2005 with a corresponding increase in retained earnings.

(vi) *Properties held for and under development*

In prior years, land or properties held for development are stated at cost less impairment while properties under development are stated at estimated open market value. From 1 January 2005 onward, the Group change the accounting policy on all properties held for and/or under development such that, all properties held for and/or under development for sale are stated at cost less impairment, when such sale are expected to be realized more than twelve months after the balance sheet date. When the sale of the properties under development are expected to be realized within twelve months, such properties under development are stated at the lower of cost and net realizable value and included under current assets.

The unification and change in accounting policy on properties held for and/or under development for sale provide a unified policy for the Group’s development properties and the new policy is commonly used among property development companies. Accordingly, applying the new policy provides a more relevant information in the financial statements.

The new policy has been applied retrospectively. Certain properties under development previously included under property, plant and equipment has been reclassified as properties under development (under current assets) and properties held for and under development in the current and the prior period respectively. Other than the reclassification, the change in accounting policy on properties held for and under development has no effect on the current and the prior year’s financial statements.

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**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Summary of the Effects of the Changes in Accounting Policies**

The effects of the changes in the accounting policies described above are as follows:

(i) *On consolidated results:*

	Unaudited	
	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Goodwill no longer amortised	20,485	–
No negative goodwill released to income	(9,079)	–
Recognition of share options granted as expenses	(6,692)	–
Amortisation of prepaid lease payment for leasehold land	(126)	–
Net increase in profit for the period	4,588	–

*On consolidated income statement line items affected:*

	Unaudited	
	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Decrease in other revenue	(9,079)	–
Increase in administrative expenses	(6,692)	–
Decrease in depreciation and amortisation	20,359	–
Net increase in profit for the period	4,588	–
Attributable to:		
Equity holders of the Company	6,424	–
Minority interests	(1,836)	–
	4,588	–

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**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Summary of the Effects of the Changes in Accounting Policies (continued)**

(ii) *On consolidated balance sheet items affected:*

	As at 31.12.2004 HK\$'000 (originally stated)	Adjustments HK\$'000	As at 31.12.2004 HK\$'000 (restated)	Adjustments on 1.1.2005 HK\$'000	As at 1.1.2005 HK\$'000 (restated)
<b>Assets</b>					
Property, plant and equipment	333,590	(292,394)	41,196	–	41,196
Prepaid lease payment for leasehold land	–	13,394	13,394	–	13,394
Property held for and under development	3,893,715	279,000	4,172,715	–	4,172,715
Other investments	34,162	–	34,162	(34,162)	–
Other available-for-sale investments	–	–	–	34,162	–
Intangible assets	341,126	–	341,126	302,651	643,777
Short term investment	208,558	–	208,558	(208,558)	–
Investments at fair value through profit and loss	–	–	–	208,558	208,558
<b>Equity and liabilities</b>					
Retained earnings	1,021,719	–	1,021,719	227,590	1,249,309
Minority interests	969,668	–	969,668	75,061	1,044,729

Apart from the restatement of prior year figures arising from the change in accounting policies, certain comparative figures have been reclassified to conform with the current period's presentation.

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**3. SEGMENT INFORMATION – CONTINUING OPERATIONS**

- (a) The following analysis presents turnover and profit/(loss) for the Group's business segments for continuing operations for the six months ended 30 June 2005:

	Turnover		Profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	HKS'000	HKS'000	HKS'000	HKS'000
<b>Business segments:</b>				
Information technology business	260,911	194,949	62,382	58,426
Provision of financial information and related services	31,078	44,623	14,968	15,011
Sales of consumer package electronics products	480	883	(196)	(326)
Property development	–	–	(9,955)	(4,746)
Sales of securities	72,312	11,938	(992)	(573)
Property investment	–	950	(16)	(1,272)
Distance learning and application services	15,852	10,507	7,255	3,262
Other segment	525	32	(318)	5
	<b>381,158</b>	<b>263,882</b>	<b>73,128</b>	<b>69,787</b>
Interest income			987	5,010
Gain on disposal of a subsidiary			–	2,480
Unallocated corporate expenses			(27,904)	(25,585)
Profit from operations			46,211	51,692
Finance costs			(4,553)	(6,520)
Share of results of associates			673	(196)
Profit before taxation			42,331	44,976
Taxation			(627)	(2,819)
Profit from continuing operations			<b>41,704</b>	<b>42,157</b>

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**3. SEGMENT INFORMATION – CONTINUING OPERATIONS (CONTINUED)**

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

	<b>Turnover</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Geographical segment:</b>		
Asia	480	–
Europe	–	59
Hong Kong	72,312	13,712
The People's Republic of China ("PRC")	308,366	250,111
	<b>381,158</b>	<b>263,882</b>

**4. OTHER REVENUE**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	987	5,010
Gain on disposal of a subsidiary	–	2,480
Negative goodwill released	–	9,079
Sundry income	470	1,056
	<b>1,457</b>	<b>17,625</b>

**5. PROFIT FROM OPERATIONS**

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

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Amortisation of intangible assets	2,643	–
Amortisation of goodwill	–	19,825
Depreciation	6,748	7,179

**6. FINANCE COSTS**

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	24,535	25,547
– not wholly repayable within five years	–	1,386
Other borrowings and convertible notes		
– wholly repayable within five years	4,125	3,187
	28,660	30,120
Less: Amounts capitalised under properties held for and under development	(24,107)	(23,600)
	4,553	6,520

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**7. TAXATION**

Taxation in the condensed consolidated income statement represents:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for the period:		
Overseas	<b>(627)</b>	<b>(2,819)</b>
Taxation charges for the period	<b>(627)</b>	<b>(2,819)</b>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (6 months ended 30 June 2004: Nil).

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

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**8. (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS**

The (loss)/profit from discontinued operations comprises the followings:

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
<b>Turnover</b>	–	39,908
Cost of sales and services provided	–	(24,084)
<b>Gross profit</b>	–	15,824
Amortisation of goodwill	–	(3,125)
Administrative expenses	(129)	(3,574)
Other operating expenses	–	(3,381)
(Loss)/profit from operations	(129)	5,744
Finance costs – bank loan wholly repayable within five years	–	(943)
(Loss)/profit before taxation	(129)	4,801
Taxation – overseas	–	(1,101)
(Loss)/profit from discontinued operations	(129)	3,700

The following analysis presents segment information for discontinued operations:

	2005 HK\$'000	2004 HK\$'000
<b>Business segments:</b>		
<b>Turnover</b>		
Hotel operation	–	39,908
Telecommunication products	–	–
	–	39,908
<b>Segment results</b>		
Hotel operation	–	5,746
Telecommunication products	(129)	(2)
(Loss)/profit from operations	(129)	5,744

The discontinued hotel operation was principally operated in the Philippines. Accordingly, no geographical analysis of turnover by geographical market is presented.



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#### 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the period of HK\$46,961,000 (6 months ended 30 June 2004: HK\$42,085,000) and on the weighted average of 19,914,504,877 (6 months ended 30 June 2004: 19,551,867,515) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2005 is not presented because the impact of the exercise of the share options is anti-dilutive.

The diluted earnings per share for the six months ended 30 June 2004 is calculated based on adjusted profit attributable to the equity holders of the Company of HK\$42,185,000 and the weighted average of 19,914,504,877 ordinary shares outstanding during that period, adjusted for the effects of all dilutive potential shares.

The adjusted profit attributable to the equity holders of the Company for the six months ended 30 June 2004 is calculated based on the profit attributable to the equity holders of the Company for the prior period of HK\$42,085,000 plus the dilution in the results of interest payable on the convertibles notes of HK\$100,000.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the six months ended 30 June 2004 is calculated based on the weighted average of 19,551,867,515 ordinary shares in issue during that period plus the weighted average of 362,637,362 ordinary shares deemed to be issued as if all the Company's convertible notes had been converted.

#### 10. TRADE AND OTHER RECEIVABLES

A defined credit policy is maintained within the Group. The age analysis of trade debtors as at 30 June 2005 was as follows:

	<b>30 June 2005 HK\$'000</b>	31 December 2004 HK\$'000
Trade receivable analysed according to aging:		
0 – 90 days	<b>129,339</b>	73,429
91 – 180 days	<b>2,934</b>	18,708
181 – 270 days	<b>18,315</b>	1,905
271 – 360 days	<b>1,567</b>	1,480
Over 360 days	<b>13,772</b>	69,862
Less: Provisions	<b>(6,579)</b>	(30,834)
	<b>159,348</b>	134,550
Prepayments, deposits and other receivables	<b>363,326</b>	184,059
	<b>522,674</b>	318,609

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**11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS**

The age analysis of trade creditors as at 30 June 2005 was as follows:

	<b>30 June 2005 HK\$'000</b>	31 December 2004 HK\$'000
Trade payables analysed according to aging :		
0 – 90 days	1,429	2,836
91 – 180 days	–	1,735
181 – 270 days	–	940
271 – 360 days	–	184
Over 360 days	–	2,758
	<b>1,429</b>	8,453
Other payables and accruals	<b>422,855</b>	359,479
	<b>424,284</b>	367,932

**12. SHARE CAPITAL**

	Number of shares		Share capital	
	30 June 2005	31 December 2004	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of period/year	30,000,000,000	30,000,000,000	3,000,000	3,000,000
Issued and fully paid:				
At beginning of the period/year	19,914,504,877	15,914,504,877	1,991,450	1,591,450
Conversion of convertible notes	–	4,000,000,000	–	400,000
At end of the period/year	<b>19,914,504,877</b>	19,914,504,877	<b>1,991,450</b>	1,991,450

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### 13. CONTINGENT LIABILITIES

As at 30 June 2005, the Group had the following contingent liabilities:

	<b>30 June 2005 HK\$'000</b>	31 December 2004 HK\$'000
Guarantees given in connection with credit facilities granted to:		
– Associates	<b>18,392</b>	20,832
– Third parties	<b>138,315</b>	144,367
	<b>156,707</b>	165,199

### 14. CAPITAL COMMITMENTS

	<b>30 June 2005 HK\$'000</b>	31 December 2004 HK\$'000
Construction costs for certain property development projects undertaken in the PRC and acquisition of a prospective associate:		
Contracted, but not provided for	<b>366,017</b>	416,973

### 15. PLEDGE OF ASSETS

As at 30 June 2005, the Group's credit facilities were supported by the following assets of the Group:

- (a) charge over the leasehold land with a net book value of approximately HK\$13,268,000;
- (b) charge over the properties held for and under development with Land Lot No. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds;
- (c) pledge of 4,392,521,867, 240,000,000, 363,638,000 and 15,265,220,133 shares in Nan Hai Corporation Limited ("Nan Hai") as securities to certain securities brokers and margin financiers, bankers, a minority shareholder of a subsidiary and other borrowers respectively, the total of which represents about 99.97% out of 67.71% of total interest in Nan Hai held by the Company. The market value of such listed shares as at 30 June 2005 was about HK\$689,000,000; and
- (d) charge over shares in certain subsidiaries within the Group.

## 16. RELATED PARTY TRANSACTIONS

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

## 17. LITIGATIONS

There have been no material changes in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2004.

## 18. SUBSEQUENT EVENTS

- (a) Subsequent to the balance sheet date of 30 June 2005, the Company and Nan Hai Corporation Limited ("Nan Hai") has completed the shareholding restructure plan (as detailed in the Company's circular dated 23 March 2004) which included among others the following:

- (i) After the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order dated 21 June 2005 and the minutes containing those particulars required under section 61 of the Companies Ordinance, the capital reduction involving the adjustment of the nominal value of the shares by cancelling paid up capital to the extent of HK\$0.09 on each of the issued shares and by reducing the nominal value of all issued and unissued shares from HK\$0.10 to HK\$0.01; and the reduction of the balance standing to the credit of the share premium account of the Company by an amount of HK\$433,541,062.55 took effect on 26 July 2005.

Accordingly, the nominal value of the shares in the capital of the Company has been reduced from HK\$0.10 to HK\$0.01 each and the authorized share capital of the Company is HK\$300,000,000 divided into 30,000,000,000 shares of HK\$0.01 each, of which 19,914,504,877 shares have been issued and are credited as fully paid up.

- (ii) On 26 July 2005, convertible notes of HK\$200 million, which bore interest at 1% per annum were converted by a subsidiary of the Company, Robina Profits Limited into 11,111,111,111 shares of HK\$0.01 each in the capital of Nan Hai at a conversion price of HK\$0.018 per share.
- (iii) On 27 July 2005, 31,377,831,111 ordinary shares of HK\$0.01 each in the capital of Nan Hai, which were held by the wholly owned subsidiaries of the Company, were distributed to the shareholders of the Company, other than the shareholders whose names appeared on the register of members of the Company but were in places outside Hong Kong on 26 July 2005 (being the date fixed by the Company for the purpose of ascertaining the entitlements of the distribution of the aforesaid shares), on the basis of 15,756 ordinary shares of HK\$0.01 each in the capital of the Nan Hai for every 10,000 ordinary shares of HK\$0.01 each in the capital of the Company held on the 26 July 2005.

Following the completion of the distribution, the Company was no longer the holding company of Nan Hai.

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**18. SUBSEQUENT EVENTS (CONTINUED)**

- (iv) On 30 August 2005, a total number of 27,120,395,500 ordinary shares of HK\$0.01 each in Nan Hai were allotted and issued in partial satisfaction of the consideration payable to the vendors following the completion of a sale and purchase agreement dated 29 December 2003 made between Nan Hai as purchaser and (1) First Best Assets Limited, (2) Rosewood Assets Limited, (3) Phippen Limited, (4) Staverley Assets Limited, (5) 中信信息科技投资有限公司 (CITIC Information Technology Investment Company Limited), (6) Macro Resources Limited and (7) Empire Gate Industrial Limited as vendors in respect of the acquisition by Nan Hai from the vendors a total of 12,515,795,316 shares in the Company, representing about 62.85% of the total issued share capital of the Company. Following the acquisition by Nan Hai, Nan Hai became the holding company of the Company.
  
- (b) Subsequent to 30 June 2005, the Group has obtained new credit facilities and repaid bank loans of approximately HK\$348,568,000.

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## INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2005 (6 months ended 30 June 2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, the Company was principally engaged in information technology, provision of financial information and its related services, distance learning and application software services, as well as property development businesses. Turnover for the period was approximately HK\$381.2 million (6 months ended 30 June 2004: HK\$303.8 million) and profit attributable to equity holders of the Company was HK\$46.9 million (6 months ended 30 June 2004: HK\$42.1 million) as a result of strengthening of management structure. Equity attributable to equity holders of the Company amounted to approximately HK\$3,752.9 million, representing a value of HK\$0.19 per share.

In addition, the Company has completed the disposal of hotel business during the period under review (details were set out in the Company's circular dated 6 May 2005). The disposal allows the Group to streamline its operations and reduces putting additional financial resources for its non-core businesses in the future.

#### *Information Technology Business*

This business division continues to post strong performance during the period. It recorded a revenue of approximately HK\$260.9 million (6 months ended 30 June 2004: HK\$194.9 million) and a segment profit of approximately HK\$62.4 million (6 months ended 30 June 2004: HK\$58.4 million). During the period, the Group implemented comprehensive corporate restructuring amongst its investments involving in IT services related business and embraced these companies under 中企動力科技集團股份有限公司 (CE Dongli Technology Group Limited) (formerly known as CE Dongli Technology Limited), and the business as a whole was named 中企動力科技集團 (CE Dongli Technology Group). This restructuring will boost the performance of the Company's IT services sector.

#### *Financial Information Provision*

During the period under review, despite the financial market environment remained to be unfavourable and overall performance in the industry was unsatisfactory, Beijing Shihua International Financial Information Company Limited of the Group through its business platform namely Shihua Financial Information, was still able to generate revenue and profit for the Group. Turnover of financial information provision business for the period was approximately HK\$31.1 million (6 months ended 30 June 2004: HK\$44.6 million) and a segment profit of approximately HK\$14.9 million (6 months ended 30 June 2004: HK\$15.0 million) was recorded.

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## *Distance Learning and Application Services*

Turnover of distance learning and application services business for the period under review was approximately HK\$15.9 million (6 months ended 30 June 2004: HK\$10.5 million) and a segment profit of approximately HK\$7.3 million (6 months ended 30 June 2004: HK\$3.3 million) was recorded. Several government education projects undertaken by Beijing Chinese Dadi Distance Education Company Limited are going smoothly, and are expected to achieve substantial profit growth for the Group by the end of this year.

## *Property Development*

During the period under review, as the Group's property development project was still under construction and no turnover was recorded (6 months ended 30 June 2004: Nil). Segment loss of approximately HK\$9.9 million (6 months ended 30 June 2004: loss of HK\$4.7 million) was mainly arising from the increase in promotion cost and the adoption of new accounting policies that negative goodwill was no longer amortized and included in other revenue.

Subsequent to the completion of shareholding restructuring between the Company and Nan Hai Corporation Limited ("Nan Hai") in August 2005, Nan Hai has become the holding company of our Group. Therefore, the large scale property project namely "The Peninsula" in Shekou, Shenzhen will not be consolidated into our Group after the shareholding restructure.

The Group's project in Guangzhou Huadu is undergoing comprehensive planning review and all approval procedures are progressing in a smooth manner, construction will be taken place upon the completion of all necessary approval procedures.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL**

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2005, equity attributable to equity holders of the Company amounted to approximately HK\$3,752.9 million, including cash and bank balances of approximately HK\$20.5 million, which was denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2005, the Group's aggregate borrowings was HK\$405.8 million (at 31 December 2004: HK\$406 million), including approximately HK\$210.5 million were bearing interest at fixed rates while approximately HK\$195.3 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total borrowings as a percentage of equity attributable to equity holders of the Company, decreased to 10.8% as of 30 June 2005 from 11.7% as at 31 December 2004. Subsequent to 30 June 2005, the Group has obtained new credit facilities, and repaid bank loans of approximately HK\$348.6 million.

The Group's contingent liabilities at 30 June 2005 were HK\$156.7 million due to the guarantees given in connection with credit facilities.

As at 30 June 2005, leasehold land with a net book value of approximately HK\$13.3 million; listed securities with market value of approximately HK\$689 million; shares in certain subsidiaries with the Group; and properties held for and under development with land lot no. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds were pledged as securities for credit facilities.

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## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

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

## EMPLOYEE

The Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to mandatory provident fund, group medical insurance, group personal accident insurance, external training sponsorship and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors. In general, salary review is conducted annually. At 30 June 2005, the Group had approximately 7,166 employees (at 30 June 2004: 6,252 employees). The salaries and allowance of employees for the period ended 30 June 2005 was about HK\$134.9 million (6 months ended 30 June 2004: HK\$96.6 million).

## PROSPECT

Following the completion of the shareholding restructure between the Company and Nan Hai in August 2005 (details were set out in the Company's circular dated 23 March 2004), the Company has become a subsidiary of Nan Hai. Currently, Nan Hai holds 62.85% of the total issued share capital of the Company. After the shareholding restructuring mentioned above, investors can be more familiar with the Company's businesses and this can enhance their investment decisions.

The Company will continue to develop the products of its enterprise IT application services sector and to increase its market share. The e-commerce platform introduced to the market at the end of last year has established its market foothold in the first half of this year and become our leading application product and service. Application products and services based on the I2SS solution will further validate our leading position in the e-commerce sector. Our cooperation with Google has begun in August 2005, and first month results indicate that the cooperation will help to advance our market strategy and strengthen our market leadership position.

As the financial market in the PRC continues to be sluggish and our technology platform has undergone thorough restructuring, our development in the financial information sector has encountered many challenges. However, China's financial governing authorities have made financial reform a top priority, we believe the market environment will make significant improvement in the coming year.

We are pleased to see progress in the long distance learning sector, as well as the government's investment and support to this sector. We believe distance learning will become one of our key business segments in the future.



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## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2005, 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 in issue

Name of Director	Number of shares of HK\$0.10 each				Approximate percentage holding
	Personal interest	Corporate Interest	Family Interest	Total Interest	
Yu Pun Hoi (“Mr. Yu”)	–	8,658,325,316	44,000,000	8,702,325,316	43.70%
Zhang Hong Ren	504,000	–	–	504,000	0.003%
Fung Wing Lap	10,000	–	–	10,000	0.00005%

#### (ii) Interests in underlying shares

Name of Director	Number of underlying shares*	Nature of Interest	Approximate percentage holding
Zhang Hong Ren	10,000,000	Personal	0.05%
Lam Bing Kwan	18,000,000	Personal	0.09%

\* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of Grant	Exercise price per share	No of share options granted	Exercisable period
Zhang Hong Ren	12-11-2004	HK\$0.16	5,000,000	01-07-2005 to 30-06-2008
		HK\$0.16	5,000,000	01-07-2006 to 30-06-2008
Lam Bing Kwan	12-11-2004	HK\$0.16	9,000,000	01-07-2005 to 30-06-2008
		HK\$0.16	9,000,000	01-07-2006 to 30-06-2008

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(iii) Short positions in shares

Name of Director	Number of shares	Nature of Interest	Approximate percentage holding
Mr. Yu	8,658,325,316	Corporate	43.48%

**Associated corporations**

By virtue of Mr. Yu's corporate and family interests in a total of 8,702,325,316 shares of the Company as disclosed above, Mr. Yu was 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 was taken to be interested in those shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) in which the Company held as at 30 June 2005 an interest, including interests held by the Company in the shares and debentures of Nan Hai, which was a subsidiary of the Company the shares of which are listed on the Stock Exchange. The interests which Mr. Yu was taken to have in the shares, underlying shares and debentures of Nan Hai are set out below.

(i) Interests in shares in issue

Name of Director	Number of shares of HK\$0.01 each	Nature of Interest	Approximate percentage holding
Mr. Yu	20,266,720,000 (Note)	Corporate	67.71%

Note: These 20,266,720,000 shares were collectively held as at 30 June 2005 by Victorious Limited, Robina Profits Limited and Ko Tact Limited which are all wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.

(ii) Interests in underlying shares

Name of Director	Notes	Number of underlying Interest	Approximate percentage holding
Mr. Yu	1	11,111,111,111	37.12%
	2	18,761,668,837	62.68%

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Notes:

1. On 30 July 2004, Nan Hai issued to Robina Profits Limited (“Robina”) the convertible loan notes in an aggregate principal amount of HK\$200,000,000 (the “South Sea Notes”), which were convertible into a total of 11,111,111,111 shares of Nan Hai 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 was taken to be interested in these underlying shares for the purposes of Part XV of the SFO.
2. Pursuant to the sale and purchase agreement (the “Sale and Purchase Agreement”) entered into on 29 December 2003 between Nan Hai as purchaser and First Best Assets Limited, Rosewood Assets Limited, Phippen Limited, Staverley Assets Limited, 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), Macro Resources Limited and Empire Gate Industrial Limited (collectively, the “Vendors”) as vendors relating to the acquisition by Nan Hai of a total of 12,515,795,316 shares of the Company (the “Sale Shares”), Nan Hai 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 would be satisfied by an issue of a total of 27,120,395,500 shares of Nan Hai (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 were entitled to a total of 18,761,668,837 Consideration Shares under the Sale and Purchase Agreement. As such, Mr. Yu was 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

On 30 July 2004, Nan Hai issued to Robina the South Sea Notes in an aggregate principal amount of HK\$200,000,000. Robina is a wholly owned subsidiary of the Company. As such, Mr. Yu was taken to be interested in the South Sea Notes for the purposes of Part XV of the SFO.

Save as disclosed above, as at 30 June 2005, 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.

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#### 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 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 share. The closing price of share of the Company immediately before the date of grant was HK\$0.158. Movements on the share options during the period are as follows:

Grantee	Date of Grant	Exercisable period	Exercise price per share	No. of shares				
				outstanding as at 1 January 2005	granted during the period	exercised during the period	cancelled during the period	outstanding as at 30 June 2005
<b>Directors</b>								
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
<b>Employees</b>								
In aggregate	12-11-2004	1-7-2005 to 30-6-2008	HK\$0.16	95,885,000	–	–	4,950,000	90,935,000
		1-7-2006 to 30-6-2008	HK\$0.16	95,885,000	–	–	4,950,000	90,935,000
		1-1-2006 to 31-12-2008	HK\$0.16	4,100,000	–	–	2,600,000	1,500,000
		1-1-2007 to 31-12-2008	HK\$0.16	4,100,000	–	–	2,600,000	1,500,000
<b>Consultants</b>								
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
				<u>231,570,000</u>				<u>216,470,000</u>

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**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS**

As at 30 June 2005, those persons (other than directors and chief executive of the Company) who had an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>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</b>	<b>Number of shares</b>	<b>Long position/ Short position</b>	<b>Approximate percentage of issued share capital of the Company</b>	<b>Notes</b>
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
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 Capital Markets Holdings Limited	4,610,910,000	long position	23.15	3
CITIC International Financial 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
Nan Hai	12,515,795,316	long position	62.85	6
Lee Tat Man	1,400,000,000	long position	7.03	

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#### Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested or held a short position in those shares in which Mr. Yu and herself held an interest or short position.
2. Rosewood Assets Limited and First Best Assets Limited were directly interested and held a short position in 1,698,333,000 shares and 2,000,000,000 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 was taken to be interested and held a short position in the 3,959,992,316 shares in which Pippen Limited held 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 was taken to be interested and held a short position in the 1,000,000,000 shares in which Macro Resources Limited held 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 were included as part of the interests and short positions held by Mr. Yu.

3. Macro Resources Limited is owned as to 40% by Staverley Assets Limited. As such, Staverley Assets Limited was taken to be interested and held a short position in the 1,000,000,000 shares in which Macro Resources Limited held an interest and short position. In addition, Staverley Assets Limited was directly interested and held a short position in 1,307,470,000 shares and CITIC Information Technology Investment Company Limited was directly interested and held a short position in 550,000,000 shares. Both Staverley Assets Limited and CITIC Information Technology Investment Company Limited were wholly owned subsidiaries of CITIC Group. The interests and short positions held by Macro Resources Limited, Staverley Assets Limited and CITIC Information Technology Investment Company Limited in the Company were included as the interests and short positions held by CITIC Group.

In addition, CITIC Capital Markets Holdings Limited was indirectly interested in 4,610,910,000 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 an approximately 56% and 28.8% 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 was included as part of the interests of Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.

CITIC Capital Active Partner Fund Limited was indirectly interested in 200,000,000 shares. CITIC Capital Active Partner Fund Limited was held as to 5.58% directly by CITIC Group, and as to 45.60% and 41.85% directly and indirectly by CITIC Capital Markets Holdings Limited. The interest in these shares held by CITIC Capital Active Partner Fund Limited was included as part of the interests of CITIC Capital Markets Holdings Limited, Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.

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

Save as disclosed above, as at 30 June 2005, no other person (other than a director and chief executive of the Company) had notified to the Company any interest or short position in the shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

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# 2005

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with following deviations:

### **CODE PROVISIONS A.4.1**

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **CODE PROVISIONS A.4.2**

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with the code provision, relevant amendments to the Company's Articles of Association were proposed and approved by the shareholders at the Company's annual general meeting held on 10 June 2005. Under the Company's existing Articles of Association, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Appendix 10 to the Listing Rules 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 during the six months ended 30 June 2005.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely Mr. QIN Tian Xiang, Mr. CHAN Lap Stanley and Mr. FUNG Wing Lap. 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 unaudited interim results for the six months ended 30 June 2005.

By order of the Board  
**Zhang Hong Ren**  
*Director*

Hong Kong, 16 September 2005

**SINO-I TECHNOLOGY LIMITED**  
**Interim Report**  
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**CORPORATE INFORMATION**

**DIRECTORS**

**Executive**

Mr. YU Pun Hoi (*Chairman*)  
Mr. ZHANG Hong Ren

**Non-executive**

Mr. LUO Ning  
Mr. LAM Bing Kwan

**Independent Non-executive**

Mr. QIN Tian Xiang  
Mr. CHAN Lap Stanley  
Mr. FUNG Wing Lap

**COMPANY SECRETARY**

Mr. WATT Ka Po James

**AUDITORS**

Grant Thornton  
Certified Public Accountants  
Hong Kong

**LEGAL ADVISERS**

Preston Gates & Ellis

**REGISTERED OFFICE**

39th Floor  
New World Tower I  
16-18 Queen's Road Central  
Hong Kong

**SHARE REGISTRARS**

Abacus Share Registrars Limited  
G/F., Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

**STOCK CODE**

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**PRINCIPAL BANKERS**

DBS Bank (Hong Kong) Limited  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation  
Limited  
CITIC Ka Wah Bank Limited  
CITIC Industrial Bank  
China Construction Bank

**WEBSITE ADDRESS**

<http://www.sino-i.com>