

## INTERIM RESULTS

The directors of Nan Hai Corporation 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	
		2005	2004
		HKS'000	HKS'000 (restated)
<b>30 June</b>			
<b>Turnover</b>			
Continuing operations		480	883
Discontinued operation		–	–
		<b>480</b>	<b>883</b>
<b>Continuing operations</b>			
Turnover	3	480	883
Cost of sales		(461)	(600)
<b>Gross profit</b>		<b>19</b>	<b>283</b>
Other revenue		–	10,989
Engineering expenses		–	(55)
Administrative expenses		(9,641)	(5,751)
Depreciation and amortisation	4	(81)	(864)
Other operating expenses		(48)	(110)
<b>(Loss)/Profit from operations</b>	4	<b>(9,751)</b>	<b>4,492</b>
Finance costs		(1,000)	(310)
Share of results of associates		520	582
<b>(Loss)/Profit before taxation</b>		<b>(10,231)</b>	<b>4,764</b>
Taxation	5	–	–

## Condensed Consolidated Income Statement – Unaudited (continued)

For the six months ended 30 June 2005

	<i>Notes</i>	For the six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000 (restated)
<b>(Loss)/Profit from continuing operations</b>		<b>(10,231)</b>	4,764
<b>Discontinued operation</b>			
Loss from discontinued operation	6	(129)	(2)
<b>(Loss)/Profit for the period</b>		<b>(10,360)</b>	4,762
<b>Attributable to:</b>			
Equity holders of the Company		(10,360)	4,762
Minority interests		–	–
		<b>(10,360)</b>	4,762
		<b>HK cents</b>	HK cents
<b>Basic (loss)/earnings per share</b>			
From continuing and discontinued operations	7	(0.035)	0.016
From continuing operations		(0.035)	0.016

## Condensed Consolidated Balance Sheet

As at 30 June 2005

	(Unaudited) 30 June 2005 HK\$'000	(Audited) 31 December 2004 HK\$'000 (restated)
<i>Notes</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	243	315
Properties held for and under development	3,507,908	3,482,809
Interests in associates	228,833	229,068
Deposit for acquisition of a prospective associate	330,000	330,000
Intangible assets	20,433	(212,025)
<b>Total non-current assets</b>	<b>4,087,417</b>	<b>3,830,167</b>
<b>Current assets</b>		
Inventories	6	6
Trade receivables	8      480	52
Other receivables and deposits	27,963	10,945
Cash at banks and in hand	2,032	1,039
<b>Total current assets</b>	<b>30,481</b>	<b>12,042</b>
<b>Total assets</b>	<b>4,117,898</b>	<b>3,842,209</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	11      299,318	299,318
Other reserves	2,025,581	2,025,581
Retained earnings	316,601	94,503
Equity attributable to equity holders of the Company	2,641,500	2,419,402
Minority interests	-	-
<b>Total equity</b>	<b>2,641,500</b>	<b>2,419,402</b>

## Condensed Consolidated Balance Sheet (continued)

As at 30 June 2005

		(Unaudited) 30 June 2005 HK\$'000	(Audited) 31 December 2004 HK\$'000 (restated)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Deposit received		34,755	34,755
Deferred taxation		790	790
<b>Total non-current liabilities</b>		<b>35,545</b>	<b>35,545</b>
<b>Current liabilities</b>			
Trade payables	9	2,614	2,153
Amount due to ultimate holding company		175,495	164,826
Amounts due to fellow subsidiaries		282,028	285,448
Land premium payables		163,606	163,606
Other payables and accruals		268,197	222,316
Provision for tax		74	74
Bank loans and overdrafts (secured)	10	348,839	348,839
Convertible notes		200,000	200,000
<b>Total current liabilities</b>		<b>1,440,853</b>	<b>1,387,262</b>
<b>Total liabilities</b>		<b>1,476,398</b>	<b>1,422,807</b>
<b>Total equity and liabilities</b>		<b>4,117,898</b>	<b>3,842,209</b>
<b>Net current liabilities</b>		<b>1,410,372</b>	<b>1,375,220</b>
<b>Total assets less current liabilities</b>		<b>2,677,045</b>	<b>2,454,947</b>

## Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Net cash inflow/(outflow) from operating activities	35,457	(7,110)
Net cash outflow from investing activities	(41,713)	(51,770)
Net cash inflow from financing	7,249	42,262
Increase/(Decrease) in cash and cash equivalents	993	(16,618)
Cash and cash equivalents at 1 January	767	20,695
Cash and cash equivalents at 30 June	1,760	4,077
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash	2,032	4,349
Bank overdrafts	(272)	(272)
	1,760	4,077

## Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2005

	Share capital	Share premium	Capital reserve	Exchange reserve	Retained earnings	Total equity attributable to equity holders of the Company	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	299,318	96,069	1,921,878	7,634	89,286	2,414,185	–	2,414,185
Exchange difference recognised directly in equity	–	–	–	(462)	–	(462)	–	(462)
Profit recognised for the period	–	–	–	–	4,762	4,762	–	4,762
Total recognised income/(loss) for the period	–	–	–	(462)	4,762	4,300	–	4,300
At 30 June 2004	299,318	96,069	1,921,878	7,172	94,048	2,418,485	–	2,418,485
At 1 January 2005, as originally stated	299,318	96,069	1,921,878	7,634	94,503	2,419,402	–	2,419,402
Negative goodwill derecognised directly in equity	–	–	–	–	232,458	232,458	–	232,458
At 1 January 2005, as restated	299,318	96,069	1,921,878	7,634	326,961	2,651,860	–	2,651,860
Loss recognised for the period	–	–	–	–	(10,360)	(10,360)	–	(10,360)
At 30 June 2005	299,318	96,069	1,921,878	7,634	316,601	2,641,500	–	2,641,500

## **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.

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.

## 2. Principal Accounting Policies (continued)

### (ii) Financial Instruments

In the current interim period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation”. HKAS 32 requires retrospective application.

Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognizing the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible bonds and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognized in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to retained earnings). In prior years, convertible notes were stated at face value. The adoption of HKAS 32 has no material impact to the financial statements for the prior and current period.

### (iii) 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 recognised 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.



## 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
<b>Effect on HKFRS3:</b>		
Goodwill no longer amortised	542	–
No negative goodwill released to income	(7,044)	–
<b>Net decrease in profit</b>	<b>(6,502)</b>	<b>–</b>
<b>On consolidated income statement line items affected:</b>		
Continuing operations		
Decrease in depreciation and amortisation	542	–
Decrease in other revenue	(7,044)	–
	<b>(6,502)</b>	<b>–</b>

- (ii) On consolidated balance sheet items affected:

	As at 31 December 2004 HK\$'000 (originally stated)	Effect on adjustment on 1 January 2005 on HKFRS 3 HK\$'000	As at 1 January 2005 HK\$'000 (restated)
Intangible assets	(212,025)	232,458	20,433
Retained earnings	94,503	232,458	326,961

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.

### 3. Segment Information – Continuing Operations

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

	Turnover		(Loss)/Profit	
	Six months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Business segments:</b>				
Consumer packaged electronics	480	883	(196)	(326)
Property development	–	–	(9,555)	873
	<u>480</u>	<u>883</u>	<u>(9,751)</u>	<u>547</u>
Other income			–	3,945
(Loss)/Profit from operations			(9,751)	4,492
Finance costs			(1,000)	(310)
Share of results of associates			520	582
(Loss)/Profit before taxation			(10,231)	4,764
Taxation			–	–
(Loss)/Profit from continuing operations			<u>(10,231)</u>	<u>4,764</u>

### 3. Segment Information – Continuing Operations (continued)

- (b) The following analysis presents the Group's turnover and segment (loss)/profit from continuing operations by geographical segments:

	Turnover		Segment (loss)/profit	
	Six months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Geographical segments:</b>				
Europe	–	59	–	3
Asia	480	824	(9,751)	544
	480	883	(9,751)	547

### 4. (Loss)/Profit from Operations

The Group's (loss)/profit from operations is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
Depreciation for property, plant and equipment	81	322
Amortisation of goodwill	–	542
Negative goodwill released	–	(7,044)

### 5. Taxation

No Hong Kong profits tax has been provided in the financial statements in respect of the current and the prior period as the Group did not derive any assessable profit in Hong Kong for the six months ended 30 June 2004 and 30 June 2005.

No income tax for other jurisdictions has been provided in the financial statements as the Group did not derive any taxable income in those jurisdictions for the period (6 months ended 30 June 2004: Nil).

## 6. Loss from Discontinued Operation

Loss from discontinued operation represents administrative expenses incurred for the discontinued telecommunication products business.

## 7. (Loss)/Earnings per Share

The calculation of basic (loss)/earnings per share is based on the net loss attributable to equity holders of the Company for the period of HK\$10,360,000 (6 months ended 30 June 2004: a profit of HK\$4,762,000) and on the weighted average number of 29,931,804,183 (6 months ended 30 June 2004: 29,931,804,183) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2005 was not presented because the impact on the conversion of the convertible notes was anti-dilutive.

Diluted earnings per share for the period ended 30 June 2004 has not been presented as there was no dilutive potential ordinary shares.

## 8. Trade Receivables

A defined credit policy is maintained within the Group. The age analysis of trade receivables 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>480</b>	52
91 – 180 days	–	–
181 – 270 days	–	–
271 – 360 days	–	–
Over 360 days	<b>15,673</b>	15,625
Less: Provisions	<b>(15,673)</b>	(15,625)
	<b>480</b>	52

## 9. Trade Payables

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

	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Trade payables, analysed according to aging :		
0 – 90 days	<b>461</b>	–
91 – 180 days	–	–
181 – 270 days	–	–
271 – 360 days	–	–
Over 360 days	<b>2,153</b>	2,153
	<b>2,614</b>	2,153

## 10. Bank Loans and Overdrafts (Secured)

	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Bank overdrafts	<b>272</b>	272
Bank loans	<b>348,567</b>	348,567
	<b>348,839</b>	348,839
Less: Current portion due within one year included under current liabilities	<b>(348,839)</b>	(348,839)
Non current portion included under non-current liabilities	–	–

## 11. Share Capital

	Number of shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2005 and 30 June 2005	500,000,000,000	5,000,000
Issued and fully paid :		
At 1 January 2005 and 30 June 2005	29,931,804,183	299,318

## 12. Capital Commitments

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Contracted, but not provided for	278,143	291,958

The capital commitments are mainly in respect of construction costs for certain property development projects undertaken in the PRC and acquisition of a prospective associate.

## 13. Contingent Liabilities

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Guarantees given in connection with credit facilities granted to a third party	33,761	33,761

#### **14. Pledge of Assets**

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

- (i) charge over shares in certain subsidiaries within the Group; and
- (ii) 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.

#### **15. Related Party Transactions**

Apart from payables due to the ultimate holding company and certain fellow subsidiaries, and outstanding convertible notes due to a subsidiary of the ultimate holding company, there is no material and significant related party transaction for the period.

#### **16. Litigations**

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

#### **17. Subsequent Events**

- (a) Subsequent to the balance sheet date of 30 June 2005, the Company and Sino-i Technology Limited ("Sino-i") has completed the shareholding restructure plan (as detailed in the Company's circular dated 23 March 2004) which included among others the following:
  - (i) On 26 July 2005, convertible notes of HK\$200 million, which bore interest at 1% per annum were converted by the noteholder, Robina Profits Limited into 11,111,111,111 shares of HK\$0.01 each in the capital of the Company at a conversion price of HK\$0.018 per share.

**17. Subsequent Events (continued)**

- (ii) On 27 July 2005, 31,377,831,111 ordinary shares of HK\$0.01 each in the capital of the Company, which were held by the wholly owned subsidiaries of Sino-i, were distributed to the shareholders of Sino-i, other than the shareholders whose names appeared on the register of members of Sino-i but were in places outside Hong Kong on 26 July 2005 (being the date fixed by Sino-i 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 Company for every 10,000 ordinary shares of HK\$0.01 each in the capital of the Sino-i held on 26 July 2005. Following the completion of distribution, Sino-i was no longer the holding company of the Company.
- (iii) On 30 August 2005, a total number of 27,120,395,500 ordinary shares of HK\$0.01 each in the Company 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 the Company as purchaser and (1) First Best Assets Limited, (2) Rosewood Assets Limited, (3) Phippen Limited, (4) Staverley Assets Limited, (5) 中信信息科技投資有限公司 (CITIC Information Technology Investment Company Limited), (6) Macro Resources Limited and (7) Empire Gate Industrial Limited as vendors in respect of the acquisition by the Company from the vendors a total of 12,515,795,316 shares in Sino-i, representing about 62.85% of the total issued share capital of Sino-i. Following the acquisition on 30 August 2005, the Company became the holding company of Sino-i and interested in about 62.85% of its total issued share capital. The details of assets and liabilities recognised at the date of acquisition are not yet available at the date of approving this interim financial statements and such information will be included in the annual report of the Company for the year ending 31 December 2005.
- (b) Subsequent to 30 June 2005, the Company has obtained new credit facilities and repaid bank loans of approximately HK\$348,568,000.



## **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, the Group was principally engaged in property development; and design and marketing of consumer packaged electronics. Turnover for the period was approximately HK\$0.5 million (6 months ended 30 June 2004: HK\$0.9 million) and loss attributable to equity holders of the Company of HK\$10.4 million (6 months ended 30 June 2004: a profit of HK\$4.8 million) was recorded. Equity attributable to equity holders of the Company amounted to approximately HK\$2,641.5 million, representing a value of HK\$0.088 per share.

#### *Property Development*

During the period under review, the Group's property development project was still under construction and thus recorded no turnover (6 months ended 30 June 2004: Nil). Segment loss of approximately HK\$9.6 million (6 months ended 30 June 2004: a profit of HK\$0.9 million) was mainly arising from the increase in promotion cost and the adoption of new accounting policies of which negative goodwill was no longer amortized and included in other revenue.

The Company's Shenzhen property project namely "The Peninsula" will commence marketing promotion in the second half of this year as scheduled. Based on the current market price and the trend of supply and demand, the Company is very optimistic about the sales of this project and anticipates that it will generate strong cash inflow to the Group.

In addition, our Guangzhou Huadu project is undergoing comprehensive planning review, and all approval procedures are progressing smoothly. Upon obtaining such approvals, the construction will commence accordingly.

#### *Consumer Packaged Electronics*

During the period under review, turnover from this division was approximately HK\$0.5 million (6 months ended 30 June 2004: HK\$0.9 million) and segmental loss has reduced to approximately HK\$0.2 million (6 months ended 30 June 2004: HK\$0.3 million).

The market of this industry remained very competitive and turnover for this division further decreased. Nevertheless, our management would continue to pay attention to the market condition and its trend, and aimed to reduce the cost as well as the negative impact derived from the competitive environment.

## **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\$2,641.5 million, including cash and bank balances of approximately HK\$2 million which was denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2005, the Group's bank and other borrowings amounted to HK\$548.8 million (at 31 December 2004: HK\$548.8 million), including convertible notes amounted to HK\$200 million (which bore an interest rate of 1% per annum and would mature on 30 July 2005). Subsequent to the period under review, convertible notes of HK\$200 million were converted into 11,111,111,111 shares of HK\$0.01 each in the capital of the Company on 26 July 2005. For the Group's bank and other borrowings, approximately HK\$388.6 million were bearing interest at fixed rates while approximately HK\$160.2 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total bank and other borrowings as a percentage of equity attributable to equity holders of the Company decreased to 21% as of 30 June 2005 from 23% 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\$33.8 million due to the guarantees given in connection with credit facilities.

As at 30 June 2005, properties held for and under development with land lot no. K708-5 at Liu Wan, Shekou, China together with all its sales proceeds; and shares in certain subsidiaries within the Group were pledged as securities for credit facilities.

## **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 capital requirements 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 provident fund schemes, group medical insurance, group personal accident insurance and external training sponsorship. 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 36 employees (at 30 June 2004: 43 employees). The salaries and allowance of employees for the six months ended 30 June 2005 was approximately HK\$4.65 million (6 months ended 30 June 2004: HK\$2.65 million).

## **PROSPECT**

Following the completion of the shareholding restructure between Sino-i Technology Limited ("Sino-i") and the Company in August 2005, the Company has become the holding company of Sino-i, and currently interested in about 62.85% of the total issued share capital of Sino-i. The Company's principal activities would therefore be expanded. Apart from our property development business, the Company through Sino-i participates in IT business to share the substantial profit from the rapid growth in IT business in China. Through the aforesaid restructuring, the Company's business development has entered into a more steady and well balanced period, and in turn brings to our shareholders more stabilized returns.

**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 (“Model Code”) were as follows:

**The Company***(i) Interests in shares in issue*

<b>Name of director</b>	<b>Number of shares of HK\$0.01 each</b>	<b>Nature of interest</b>	<b>Approximate percentage holding</b>
Yu Pun Hoi	20,266,720,000	Corporate	67.71%

*Note:* Mr. Yu Pun Hoi (“Mr. Yu”), together with his family and corporate interests, were entitled to control the exercise of more than one-third of the voting power at general meetings of Sino-i Technology Limited (“Sino-i”). These 20,266,720,000 shares were as at 30 June 2005 collectively held by Victorious Limited, Robina Profits Limited and Ko Tact Limited which are all wholly-owned subsidiaries of Sino-i. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.

*(ii) Interests in underlying shares*

<b>Name of Director</b>	<i>Notes</i>	<b>Number of underlying shares</b>	<b>Approximate percentage holding</b>
Yu Pun Hoi	1	11,111,111,111	37.12%
	2	18,761,668,837	62.68%

*Notes:*

1. On 30 July 2004, the Company issued to Robina Profits Limited (“Robina”) the convertible loan notes (the “South Sea Notes”) in an aggregate principal amount of HK\$200,000,000 which were convertible into a total of 11,111,111,111 shares of the Company at an initial conversion price of HK\$0.018 each (subject to adjustments). Robina is a wholly owned subsidiary of Sino-i. As such, Mr. Yu was taken to be interested in these 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 the Company as purchaser and First Best Assets Limited, Rosewood Assets Limited, Pippen 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 the Company of a total of 12,515,795,316 shares (the “Sale Shares”) in Sino-i, the Company 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 in the Company (the “Consideration Shares”) at a price of HK\$0.018 each to the Vendors upon completion. Those Vendors which were 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, the Company issued to Robina the South Sea Notes in an aggregate principal amount of HK\$200,000,000. Robina is a wholly owned subsidiary of Sino-i. As such, Mr. Yu was taken to be interested in the South Sea Notes for the purposes of Part XV of the SFO.

## Associated Corporation

As disclosed above, Mr. Yu, together with his family and corporate interests, were entitled to control the exercise of more than one-third of the voting power at general meetings of Sino-i and Sino-i was the holding company of the Company. As such, Mr. Yu was taken to be interested in the shares that the Company held as at 30 June 2005 in its associated corporations within the meaning of Part XV of the SFO. Sino-i is a company the shares of which are listed on the Stock Exchange which is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2005, the interests and short positions of the directors of the Company in shares and underlying shares were as follows:

(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	–	8,658,325,316	44,000,000	8,702,325,316	43.70%
Zhang Hong Ren	504,000	–	–	504,000	0.003%

(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	0.050%
Zhao Liang	5,000,000	Personal	0.025%
Lam Bing Kwan	18,000,000	Personal	0.090%

\* 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
Zhao Liang	12-11-2004	HK\$0.16	2,500,000	01-07-2005 to 30-06-2008
		HK\$0.16	2,500,000	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

(iii) *Short positions in shares*

Name of director	Number of shares	Nature of interest	Approximate percentage holding
Yu Pun Hoi	8,658,325,316	Corporate	43.48%

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 the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## 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. The Company has not granted any share options under the Scheme since its adoption.

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS

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

Name of person holding an interest in shares and underlying shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Number of shares held	Number of underlying shares held	Approximate percentage of the issued share capital of the Company *	Notes
Kung Ai Ming	20,266,720,000	11,111,111,111	67.71	1
	–	18,761,668,837	–	1
Sino-i Technology Limited	20,266,720,000	11,111,111,111	67.71	2
Victorious Limited	11,976,270,000	–	40.01	2
Ko Tact Limited	7,890,450,000	–	26.36	2
Robina Profits Limited	400,000,000	11,111,111,111	1.34	2
Perfect Union Overseas Inc.	2,100,000,000	–	7.02	3
Fu Liang	2,100,000,000	–	7.02	3
First Best Assets Limited	–	4,333,786,998	–	4
Rosewood Assets Limited	–	3,680,106,736	–	4
Actinna Development Limited	–	8,580,881,605	–	4
Righteous International Limited	–	2,166,893,498	–	4
Macro Resources Limited	–	2,166,893,498	–	4 & 5
CITIC Group	15,265,220,133	6,191,833,164	50.99	5
CITIC Capital Markets Holdings Limited	15,265,220,133	–	50.99	5

Name of person holding an interest 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 shares held	Number of underlying shares held	Approximate percentage of the issued share capital of the Company *	<i>Notes</i>
CITIC International Financial Holdings Limited	15,265,220,133	–	51.00	5
CITIC Pacific Limited	15,265,220,133	–	50.99	5
Golden Gateway Enterprises Inc.	15,265,220,133	–	50.99	5
Forever Glory Holdings Ltd.	15,265,220,133	–	50.99	5
Empire Gate Industrial Limited	–	4,333,786,997	–	6
Yiu Kin Wai	–	4,333,786,997	–	6

\* For the avoidance of doubt, interests in underlying shares have not been taken into account when calculating the percentages set out above since these underlying shares have not been issued as at 30 June 2005.

*Notes:*

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in the shares in which Mr. Yu was taken to have an interest as disclosed above.
2. Victorious Limited, Ko Tact Limited and Robina are wholly-owned subsidiaries of Sino-i and the interests held by them in the Company were included as the interest of Sino-i. On 30 July 2004, the Company issued to Robina the convertible loan notes in an aggregate principal amount of HK\$200,000,000 which were convertible into a total of 11,111,111,111 shares of the Company at an initial conversion price of HK\$0.018 each (subject to adjustments). Robina was taken to be interested in these 11,111,111,111 shares for the purposes of Part XV of the SFO.
3. Perfect Union Overseas Inc. is wholly-owned by Mr. Fu Liang. As such, Mr. Fu Liang is taken to be interested in the 2,100,000,000 shares directly held by Perfect Union Overseas Inc.



4. First Best Assets Limited and Rosewood Assets Limited were taken to be interested in 4,333,786,998 and 3,680,106,736 Consideration Shares respectively under the Sale and Purchase Agreement. First Best Assets Limited, Rosewood 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 in the 8,580,881,605 Consideration Shares in which Pippen Limited held an interest. 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 in the 2,166,893,498 Consideration Shares in which Macro Resources Limited held an interest. The interests of First Best Assets Limited, Rosewood Assets Limited, Actinna Development Limited and Righteous International Limited in the Company were included as part of the interest held by Mr. Yu.
5. Macro Resources Limited is owned as to 40% by Staverley Assets Limited. As such, Staverley Assets Limited was taken to be interested in the 2,166,893,498 Consideration Shares in which Macro Resources Limited held an interest under the Sale and Purchase Agreement. In addition, Staverley Assets Limited itself was taken to be interested in 2,833,148,242 Consideration Shares and CITIC Information Technology Investment Company Limited was taken to be interested in 1,191,791,424 Consideration Shares under the Sale and Purchase Agreement. Both CITIC Information Technology Investment Company Limited and Staverley Assets Limited are indirectly wholly-owned by CITIC Group. Their interests were included as part of the interest of CITIC Group.

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 interest 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.

6. Empire Gate Industrial Limited is wholly-owned by Mr. Yiu Kin Wai and its interest in the 4,333,786,997 Consideration Shares was included as part of the interest held by Mr. Yiu Kin Wai.

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.

## **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 Bye-Laws. 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 extent permitted under the laws of Bermuda, to the Company's Bye-Laws were proposed and approved by the shareholders at the Company's annual general meeting held on 10 June 2005. Under the Company's existing Bye-Laws, all director (save for any executive Chairman or Managing Director), should be subject to retirement by rotation at least once every three years. As such, the Board considers that the Company's existing Bye-Laws which have been amended, to the extent permitted under the laws of Bermuda, complied with the requirements of the Appendix 14 to the Listing Rules.

## **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, Ms. WEI Jingyun and Mr. WU Chen. 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

## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive**

Mr. YU Pun Hoi (*Chairman*)

Mr. ZHANG Hong Ren

Dr. ZHAO Liang

#### **Non-executive**

Mr. YU Lin Hoi

Mr. LAM Bing Kwan

#### **Independent Non-executive**

Mr. QIN Tian Xiang

Ms. WEI Jingyun

Mr. WU Chen

### **COMPANY SECRETARY**

Mr. WATT Ka Po James

### **AUDITORS**

Grant Thornton

Certified Public Accountants

Hong Kong

### **LEGAL ADVISERS**

Preston Gates & Ellis

### **BERMUDA LEGAL ADVISERS**

Apleby Spurling Hunter

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

39th Floor

New World Tower I

16-18 Queen's Road Central

Hong Kong

### **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

### **PRINCIPAL REGISTRARS AND TRANSFER OFFICE**

Butterfield Fund Services (Bermuda) Limited

11 Rosebank Centre

Bermudiana Road

Hamilton

Bermuda

### **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**

680

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited

DBS Bank (Hong Kong) Limited

CITIC Ka Wah Bank Limited

CITIC Industrial Bank