



# **SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**SINO**  
TECHNOLOGY

**Interim Report 2003**

## INTERIM RESULTS

The Board of Directors (the “Directors”) of Sino Technology Investments Company Limited (the “Company”) is pleased to announce the unaudited condensed results of the Company for the six months ended 30 June 2003. These interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company entered into a new era as a publicly listed company on 28 August 2002. The net proceeds arising from the new issue amounted to approximately HK\$12.5 million. The use of proceeds from the public offer generally reflects the expectation as stated in the Company’s prospectus dated 16 August 2002.

Since the listing of the Company’s shares, the Company had invested in four unlisted companies amounting to approximately HK\$35,428,000. Apart from the above investments, the balance of the proceeds was deposited with banks in the Hong Kong SAR.

### Investment Portfolios

For the period under review, the Company has invested in the following companies:

Jinan LuGu (HK) Technology Development Limited (“Jinan LuGu”) is principally engaged in research and development as well as the sales of biopharmaceutical products, biomaterials and bio-skincare products. The Company has invested HK\$9,000,000 in Jinan LuGu acquiring an equity interest of 25% in the capital of Jinan LuGu. The Company did not received any dividend from this investment during the period.

SNG Hong Kong Limited (“SNG”) (formerly known as Sino Net-Game Limited) is principally engaged in the distribution of internet games, delivering game information through various sources such as internet, magazines etc. The Company has invested HK\$9,000,000 in SNG acquiring an equity interest of 30% in the capital of SNG. The Company did not received any dividend from SNG during the period.

During the period, the Company had purchased from King Tiger Technology Company Limited (“King Tiger”) a convertible bond with face value of USD1,144,000 maturing on 16 January 2006 with an interest rate of 6.5% per annum. Upon maturity of the convertible bond, the Company has the right to convert the convertible bond to an equity interest of 13% of the then issued share capital of either King Tiger or a wholly owned subsidiary of King Tiger.

During the period, the Company had purchased from China Net-PC (Beijing) Limited (“CNP Beijing”) a convertible bond with face value of HK\$8,500,000 maturing on 16 January 2006 with an interest rate of 2.5% per annum. Upon maturity of the convertible bond, the Company has the right to convert the convertible bond to an equity interest of 30% of the then issued share capital of CNP Beijing.

## **Prospects**

Although Hong Kong experienced an unprecedented health crisis in the first six months of 2003 with the emergence of Severe Acute Respiratory Syndrome affecting the operating environment, the Company will continue to look for suitable investment projects with satisfactory returns with an optimistic but conservative approach to maximize the return to shareholders.

## **Liquidity and financial position**

As at 30 June 2003, the Company had cash and bank balances of HK\$9,924,555. All the cash and bank balances were placed as short term deposits in Hong Kong dollars with banks in the Hong Kong SAR.

## **Foreign currency fluctuation**

The Company mainly operates its business transactions in Hong Kong dollars and thus is not exposed to foreign currency risk.

## **DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2003, the interests and short positions of the Directors and chief executive of the Company in the 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 (the “SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, to be notified to the Company and the Stock Exchange were as follows:

### **Long positions in the underlying shares of the Company**

Pursuant to the share option scheme adopted by the Company on 18 July 2002 (the “Share Option Scheme”), certain Directors were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 30 June 2003 were as follows:

| Name of director   | Capacity           | Date of grant | Number of share options          |                           |                             |                                     |                                | Option period       | Subscription price per share<br>HK\$ |
|--------------------|--------------------|---------------|----------------------------------|---------------------------|-----------------------------|-------------------------------------|--------------------------------|---------------------|--------------------------------------|
|                    |                    |               | Outstanding as at 1 January 2003 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Outstanding as at 30 June 2003 |                     |                                      |
|                    |                    |               |                                  |                           |                             |                                     |                                |                     |                                      |
| Xiang Xin          | Interest of spouse | 29/1/2003     | -                                | 800,000                   | -                           | -                                   | 800,000                        | 28/8/2003-27/8/2013 | 0.25                                 |
| Ng Kwong Chue Paul | Beneficial owner   | 29/1/2003     | -                                | 1,000,000                 | -                           | -                                   | 1,000,000                      | 28/8/2003-27/8/2013 | 0.25                                 |
| David Wang Xin     | Beneficial owner   | 29/1/2003     | -                                | 400,000                   | -                           | -                                   | 400,000                        | 28/8/2003-27/8/2013 | 0.25                                 |
| Peng Xue Jun       | Beneficial owner   | 29/1/2003     | -                                | 1,200,000                 | -                           | -                                   | 1,200,000                      | 28/8/2003-27/8/2013 | 0.25                                 |

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, to be notified to the Company and the Stock Exchange.

## DETAILS OF OPTIONS GRANTED BY THE COMPANY

Save as those share options granted to the Directors as disclosed above, certain share options were granted by the Company under the Share Option Scheme to certain advisors of the Company, details of which were as follows:

|          | Date of grant | Number of share options          |                           |                             |                                     |                                | Option period       | Subscription price per share<br>HK\$ |
|----------|---------------|----------------------------------|---------------------------|-----------------------------|-------------------------------------|--------------------------------|---------------------|--------------------------------------|
|          |               | Outstanding as at 1 January 2003 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Outstanding as at 30 June 2003 |                     |                                      |
|          |               |                                  |                           |                             |                                     |                                |                     |                                      |
| Advisors | 29/1/2003     | -                                | 16,600,000                | -                           | -                                   | 16,600,000                     | 28/8/2003-27/8/2013 | 0.25                                 |

The Directors are of the view that it is not appropriate to state the value of the share options granted on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2003, the persons or companies (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any number of the Company were as follows:

### Long positions of substantial shareholders in the shares of the Company

| Name   | Number of<br>Ordinary Shares | Percentage of<br>Shareholding |
|--|------------------------------|-------------------------------|
| Harvest Rise Investments Limited ( <i>note 1</i> ) | 26,000,000                   | 13%                           |
| AP Wireless Net Inc. ( <i>note 2</i> )             | 52,000,000                   | 26%                           |
| WYSE Technology (Far East) Ltd. ( <i>note 3</i> )  | 56,000,000                   | 28%                           |
| Chen Ye Hwa  | 19,400,000                   | 9.70%                         |
| Shu Kwan Long                                      | 11,776,000                   | 5.89%                         |

*Note:*

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Xiang Xin.
2. AP Wireless Net Inc. is a private company wholly and beneficially owned by Ng Kwong Chue Paul.
3. WYSE Technology (Far East) Ltd. is wholly and beneficially owned by WYSE Technology Taiwan Ltd., a public company listed in the Taiwan OTC market.

Save as disclosed above, as at 30 June 2003, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the period under review.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, the Company repurchased 56,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$49,840. All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$560 during the period was set-off with the issued share capital and the relevant aggregate consideration of HK\$49,840 was paid out from the Company's share premium. Details of the repurchases are as follows:

| Month of the repurchases | Total number of the ordinary shares repurchased | Highest price paid per share | Lowest price paid per share | Aggregate consideration |
|--------------------------|---|------------------------------|-----------------------------|-------------------------|
| May 2003                 | 56,000  | HK\$0.95                     | HK\$0.80                    | HK\$49,840              |

The purchases were made for the benefit of the shareholders as a whole.

Apart from the above, neither the Company nor any of its subsidiary companies had purchased, sold, or redeemed any of the listed securities of the Company during the period.

The above shares repurchased were cancelled on delivery of the share certificates subsequent to the period.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the period under review with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the financial reporting process and internal control systems of the Company. The audit committee has two members comprising two independent non-executive directors of the Company namely Mr Peng Xue Jun and Mr David Wang Xin.

On behalf of the Board  
**Xiang Xin**  
*Executive Director*

**CONDENSED PROFIT AND LOSS ACCOUNT**

|                                   |   | <b>Six months<br/>ended<br/>30 June 2003<br/>(Unaudited)<br/>HK\$</b> | <b>From<br/>7 February<br/>2002 (date of<br/>incorporation)<br/>to<br/>30 June 2002<br/>(Unaudited)<br/>HK\$</b> |
|-----------------------------------|---|---|--|
| Turnover                          | 3 | 23,720  | –  |
| Administrative expenses           |   | <u>(696,116)</u>  | <u>(20,670)</u>  |
| Loss before taxation              | 4 | (672,396)   | (20,670)   |
| Taxation                          | 5 | <u>–</u>  | <u>–</u>   |
| Loss attributable to shareholders |   | <u><u>(672,396)</u></u>   | <u><u>(20,670)</u></u>   |
| Basic loss per share              | 7 | <u><u>0.34 cents</u></u>  | <u><u>20,670</u></u>   |

**CONDENSED BALANCE SHEET**

|   |             | <b>30 June<br/>2003<br/>(Unaudited)<br/>HK\$</b> | <b>31 December<br/>2002<br/>(Audited)<br/>HK\$</b> |
|---|-------------|--|--|
|   | <i>Note</i> |  |  |
| Non-current assets                        |             |  |  |
| Investment in securities                  | 8           | 35,428,045                                       | 18,000,000   |
| Current assets                            |             |  |  |
| Other receivable, deposits and prepayment |             | 198,305  | 6,677,377  |
| Cash and bank balances                    |             | 9,726,250  | 21,453,448   |
|   |             | <u>9,924,555</u>                                 | <u>28,130,825</u>                                  |
| Current liabilities                       |             |  |  |
| Accruals                                  |             | 9,581  | 52,500   |
| Amount due to directors                   |             | 5,000  | –  |
|   |             | <u>14,581</u>                                    | <u>52,500</u>                                      |
| Net current assets                        |             | <u>9,909,974</u>                                 | <u>28,078,325</u>                                  |
| Net assets                                |             | <u>45,338,019</u>                                | <u>46,078,325</u>                                  |
| Capital and reserves                      |             |  |  |
| Share capital                             | 9           | 1,999,440  | 2,000,000  |
| Reserves                                  |             | 43,338,579                                       | 44,078,325   |
| Shareholders' funds                       |             | <u>45,338,019</u>                                | <u>46,078,325</u>                                  |
| Net assets value per share                | 10          | <u>HK\$0.23</u>                                  | <u>HK\$0.23</u>                                    |



**CONDENSED STATEMENT OF CHANGES IN EQUITY**

|                                 | <b>Share<br/>capital</b> | <b>Share<br/>premium</b> | <b>Accumulated<br/>Losses</b> | <b>Total</b>      |
|---------------------------------|--------------------------|--------------------------|-------------------------------|-------------------|
|                                 | <i>HK\$</i>              | <i>HK\$</i>              | <i>HK\$</i>                   | <i>HK\$</i>       |
| Issue of share                  | 1                        | –                        | –                             | 1                 |
| Loss for the period             | –                        | –                        | (20,670)                      | (20,670)          |
|                                 | <hr/>                    | <hr/>                    | <hr/>                         | <hr/>             |
| Balance at 30 June 2002         | 1                        | –                        | (20,670)                      | (20,669)          |
| Issue of shares                 | 2,000,000                | 48,000,000               | –                             | 50,000,000        |
| Purchase and cancelled of share | (1)                      | –                        | –                             | (1)               |
| Listing expenses                | –                        | (3,512,545)              | –                             | (3,512,545)       |
| Loss for the period             | –                        | –                        | (388,460)                     | (388,460)         |
|                                 | <hr/>                    | <hr/>                    | <hr/>                         | <hr/>             |
| Balance at 31 December 2002     | 2,000,000                | 44,487,455               | (409,130)                     | 46,078,325        |
| Repurchase of share             | (560)                    | (49,280)                 | –                             | (49,840)          |
| Listing expenses                | –                        | (18,070)                 | –                             | (18,070)          |
| Loss for the period             | –                        | –                        | (672,396)                     | (672,396)         |
|                                 | <hr/>                    | <hr/>                    | <hr/>                         | <hr/>             |
| Balance at 30 June 2003         | <u>1,999,440</u>         | <u>44,420,105</u>        | <u>(1,081,526)</u>            | <u>45,338,019</u> |

**CONDENSED CASH FLOW STATEMENT**

|  | <b>Six months<br/>ended<br/>30 June 2003<br/>(unaudited)<br/>HK\$</b> | <b>From<br/>7 February<br/>2002 (date of<br/>incorporation)<br/>to<br/>30 June 2002<br/>(unaudited)<br/>HK\$</b> |
|--|---|--|
| Net cash generated from/(used in) operating activities | 5,745,037   | (450,000)  |
| Net cash used in investing activities                  | (17,404,325)  | -  |
| Net cash (used in)/generated from financing activities | (67,910)  | 450,001  |
| Net (decrease)/increase in cash and cash equivalents   | (11,727,198)  | 1  |
| Cash and cash equivalents at 1 January                 | 21,453,448  | -  |
| Cash and cash equivalents at 30 June                   | <u>9,726,250</u>  | <u>1</u>   |
| Analysis of balances of cash and cash equivalents      |   |  |
| Cash and bank balances                                 | <u>9,726,250</u>  | <u>1</u>   |

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. Basis of preparation

These condensed unaudited interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

### 2. Principal accounting policies

In the current period, the Company has adopted the revised SSAP No. 12 "Accounting for income taxes" ("SSAP 12 (Revised)"), for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed interim accounts. The adoption of the above standard has had no significant effect on the results for the current or prior accounting periods.

Other than the above, the accounting policies adopted are consistent with those followed in the preparation of the Company's annual accounts for the period from 7 February 2002 (date of incorporation) to 31 December 2002.

### 3. Turnover and revenue

The principal activity of the Company is investment holding. The turnover of the Company for the period is bank interest income.

All the turnover and contribution to operating results are attributable to investment activities carried out or originate principally in Hong Kong, no activity analysis and geographical analysis are presented for the period.

### 4. Loss before taxation

Loss before taxation is stated after charging investment management fee of HK\$85,895.

### 5. Taxation

No provision for Hong Kong profits tax has been made in the interim accounts as the Company has no assessable profit during the period (2002: nil).

### 6. Dividend

The directors resolved not to pay an interim dividend for the six months ended 30 June 2003.

### 7. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$672,396 (2002: HK\$20,670) and the weighted average number of 199,987,934 (2002: 1) shares in issue during the period.

No diluted losses per share for the six-month period ended 30 June 2003 and 2002 are presented as the Company has no dilutive potential ordinary share.

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**8. Investments in securities**

|                            | <b>30 June<br/>2003<br/>(unaudited)<br/>HK\$</b> | <b>31 December<br/>2002<br/>(audited)<br/>HK\$</b> |
|----------------------------|--|--|
| Unlisted equity securities | 18,000,000                                       | 18,000,000   |
| Unlisted convertible notes | 17,428,045                                       | —  |
|                            | <hr/>  | <hr/>  |
| Fair value                 | <u>35,428,045</u>                                | <u>18,000,000</u>                                  |

**9. Share capital**

|                                    | <b>Number of<br/>ordinary shares of<br/>HK\$0.01 each</b> | <b>HK\$</b>       |
|------------------------------------|---|-------------------|
| <i>Authorised:</i>                 |   |                   |
| At 1 January 2003 and 30 June 2003 | 2,000,000,000   | <u>20,000,000</u> |
| <i>Issued and fully paid:</i>      |   |                   |
| At 1 January 2003                  | 200,000,000   | 2,000,000         |
| Less: repurchase of shares         | 56,000  | 560               |
|                                    | <hr/>   | <hr/>             |
| At 30 June 2003                    | <u>199,944,000</u>  | <u>1,999,440</u>  |

On 23 May 2003, the Company repurchased 56,000 shares in the stock market at an average purchase price of HK\$0.89 per share.

**10. Net assets value per share**

The calculation of net asset value per share is based on the net asset value of the Company as at 30 June 2003 of HK\$45,338,019 and 199,944,000 ordinary shares in issue at that date.

**11. Related party transactions**

During the period, the Company had transactions with related parties as follows:

|  | <b>Six months<br/>ended<br/>30 June 2003<br/>(unaudited)<br/>HK\$</b> | <b>From<br/>7 February<br/>2002 (date of<br/>incorporation)<br/>to<br/>30 June 2002<br/>(unaudited)<br/>HK\$</b> |
|--|---|--|
| Investment management fee paid to                          |   |  |
| Hua Yu Investment Management Limited ( <i>note a</i> )     | 76,314  | —  |
| China Everbright Securities (HK) Limited ( <i>note b</i> ) | 9,581   | —  |
|  | <hr/>   | <hr/>  |
|  | <u>85,895</u>   | <u>—</u>   |

*Note:*

- (a) On 18 July 2002, the Company entered into an investment management agreement with Hua Yu Investment Management Limited ("HYIM") for a period of three years commencing from 28 August 2002 and is to continue for successive periods of three years each unless terminate at any time by either the Company or HYIM serving not less than three months' notice in writing to the other party to expire on the last day of the three-year period or the relevant successive periods. According to the agreement, the Company will pay to HYIM a fee payable on a semi-annual basis in Hong Kong dollars in advance on 1 April and 1 October each year at 1% per annum of the net asset value as at the immediately preceding valuation date in March and September respectively of each year. HYIM is regarded as a connected person of the Company for the purpose of the Listing Rules. The management agreement was terminated on 1 June 2003.
- (b) On 23 May 2003, the Company entered into another investment management agreement with China Everbright Securities (HK) Limited ("CES") for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. CES is regarded as a connected person of the Company for the purpose of the Listing Rules.

**12. Post balance sheet event**

On 4 August 2003, an agreement was entered into between the Company and China Ibonline Holding Co., Ltd ("China Ibonline") whereby the Company had purchased from China Ibonline a convertible bond of face value HK\$8,500,000 maturing on 4 August 2006 with an interest rate of 2.5% per annum. The consideration of the convertible bond was made with a convertible bond of China Net-PC (Beijing) Limited being held by the Company as at the period end date with the same face value and interest rate of return. In accordance with the terms and conditions of the agreement, upon maturity of the convertible bond, the Company has the right to convert the convertible bond to an equity interest of 25% of the then issued share capital of China Ibonline.