



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)



Interim Report

2004

INTERIM RESULTS

The Board of Directors (the “Board”) 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 2004.

The Company recorded zero turnover for the six months ended 30 June 2004 and 2003. Loss attributable to shareholders for the period amounted to HK\$781,113, demonstrating an increase of 16.2% over HK\$672,396 recorded in the corresponding period last year.

The Board has resolved not to declare any dividend (2003: Nil) for the period under review.

BUSINESS REVIEW

The Company’s shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002. The net proceeds arising from the new issue amounted to approximately HK\$12.5 million.

For the period under review, the Company continued to hold investments in two unlisted companies and two unlisted convertible loan notes, which amounting to the total of approximately HK\$35.4 million.

Investment Portfolios

For the period under review, the Company continues to hold the following investments:

Jinan LuGu (HK) Technology Development Limited (“Jinan LuGu”) is incorporated in Hong Kong and principally engaged in research and development as well as the sales of biopharmaceutical products, biomaterials and bio-skincare products. The Company holds 25 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu. The Company did not receive any dividend from this investment during the period.

SNG Hong Kong Limited (“SNG”) is incorporated in Hong Kong and principally engaged in the distribution of Internet games and delivering game information through various sources such as Internet, magazines, etc. The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. The Company did not receive any dividend from SNG during the period.

King Tiger Technology Company Limited (“King Tiger”) is incorporated in Taiwan ROC and principally engaged in investment holding. It indirectly holds 49% interest in 安徽精通科技有限公司(「安徽精通」). 安徽精通 is registered in the PRC as foreign investment enterprises by equity joint venture and principally engaged in the manufacturing of solder ball by the Ball

Grid Array technology. The Company holds a convertible loan note issued by King Tiger with face value of USD1,144,000 maturing on 15 January 2006 with an interest rate of 6.5% per annum. Upon maturity of the convertible loan note, the Company has the right to convert the outstanding principal amount of the loan note into shares, directly or indirectly, in安徽精通.

China Ibonline Holding Co., Ltd. ("China Ibonline") is incorporated in the British Virgin Islands and principally engaged in investment holding. Through its current shareholders, China Ibonline currently holds 80% of 深圳市創銳實業有限公司(「深圳市創銳」) which is incorporated in the PRC. China Ibonline is under a restructure process for acquiring 100% 深圳市創銳 as its wholly owned subsidiary. Up to the date of this report, the restructure process was not completed. 深圳市創銳 is principally engaged in the installation and adjusting of wiring for build-in internet service for buildings. The Company holds a convertible loan note issued by China Ibonline with face value of HK\$8,500,000 maturing on 3 August 2006 with an interest rate of 2.5% per annum. Upon maturity of the convertible note, the Company has the right to convert the outstanding principal amount of the loan note into shares in China Ibonline representing an equity interest of 25% of the then issued share capital of China Ibonline.

PROSPECTS

With the gradual recovery of the Hong Kong economy, the Company will continue to capture investment opportunities brought from the recovery of the local economy.

The investment environment in Mainland China poses immense potential and opportunities to the Company. The Company will continue to explore the investment opportunities in Mainland China.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2004, the Company had cash and bank balances of approximately HK\$8,712,000. All the cash and bank balances were mainly placed as short term deposits in Hong Kong dollars with banks in Hong Kong.

For the period under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (net debt to shareholders' funds) as at 30 June 2004. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

FOREIGN CURRENCY FLUCTUATION

The Company mainly operates its business transactions in Hong Kong dollars and thus is not exposed to foreign currency risk. No hedging or other alternatives have been implemented.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2004, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

EMPLOYEE INFORMATION

The Company does not have any employee other than the Directors.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, 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, or which were required, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and 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 2004 were as follows:

Name of Directors	Number of shares	Number of underlying shares	Nature of interest/ Holding capacity	Approximate percentage of interests
Xiang Xin	26,000,000	– 800,000 (Note 2)	Corporate (Note 1) Family/beneficiary	13%
Ng Kwong Chue Paul	52,000,000	– 1,000,000 (Note 4)	Corporate (Note 3) Personal/beneficiary	26%
David Wang Xin	–	400,000 (Note 4)	Personal/beneficiary	
Peng Xue Jun	–	1,200,000 (Note 4)	Personal/beneficiary	

Notes:

1. The 26,000,000 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Xiang Xin.
2. On 29 January 2003, Kung Ching, spouse of Xiang Xin was granted share options as an advisor of the Company to subscribe for 800,000 shares pursuant to the Share Option Scheme of the Company. The options are exercisable at subscription price of HK\$0.25 per share during the period from 28 August 2003 to 27 August 2013. No relevant share options have been exercised.
3. The 52,000,000 shares are held by AP Wireless Net Inc., a private company wholly and beneficially owned by Ng Kwong Chue Paul.
4. On 29 January 2003, Ng Kwong Chue Paul, David Wang Xin and Peng Xue Jun were granted share options as advisors of the Company to subscribe for 1,000,000, 400,000 and 1,200,000 shares, respectively pursuant to the Share Option Scheme of the Company. The options are exercisable at subscription price of HK\$0.25 per share during the period from 28 August 2003 to 27 August 2013. No relevant share options have been exercised.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June 2004, 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, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Details of share options granted and remained outstanding as at 30 June 2004 were as follows:

	Date of grant	Number of share options			Option period	Subscription price per share (Note 3) HK\$
		Outstanding as at 1 January 2004 (Note 1)	Granted during the period	Outstanding as at 30 June 2004 (Note 1)		
Xiang Xin (Note 2)	29/1/2003	800,000	–	800,000	28/8/2003 – 27/8/2013	0.25
Ng Kwong Chue Paul	29/1/2003	1,000,000	–	1,000,000	28/8/2003 – 27/8/2013	0.25
David Wang Xin	29/1/2003	400,000	–	400,000	28/8/2003 – 27/8/2013	0.25
Peng Xue Jun	29/1/2003	1,200,000	–	1,200,000	28/8/2003 – 27/8/2013	0.25
Shiu Shu Ming	29/1/2003	1,200,000	–	1,200,000	28/8/2003 – 27/8/2013	0.25
Advisors	29/1/2003	15,400,000	–	15,400,000	28/8/2003 – 27/8/2013	0.25
		<u>20,000,000</u>	<u>–</u>	<u>20,000,000</u>		

Note:

1. The closing price of the shares immediately before the date on which the options were granted was HK\$0.25 on 28 January 2003.
2. 800,000 options were granted to Kung Ching, spouse of Xiang Xin, as an advisor of the Company.
3. The average closing price as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding to the date of grant.

No share options were exercised, cancelled or lapsed during the period.

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.

INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30 June 2004, 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 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 were as follows:

Long positions of substantial shareholders in the shares of the Company

Name	Number of Ordinary Shares	Percentage of Shareholding
Harvest Rise Investments Limited <i>(note 1)</i>	26,000,000	13.00%
AP Wireless Net Inc. <i>(note 2)</i>	52,000,000	26.00%
WYSE Technology (Far East) Ltd. <i>(note 3)</i>	56,000,000	28.00%
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 2004, 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.

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

During the period, the Company had not purchased, sold or redeemed any of its listed securities.

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.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code on securities transactions by directors set out in Appendix 10 of the Main Board Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee comprises two Independent Non-executive Directors of the Company, namely Mr Peng Xue Jun and Mr David Wang Xin.

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Company.

The audit committee has already reviewed the Company's unaudited results for the six months ended 30 June 2004.

On behalf of the Board

Xiang Xin

Executive Director

Hong Kong

16 September 2004

As at the date of this report, the Executive Directors of the Company are Mr Luo Xiu Qing (Chairman), Mr Xiang Xin, Mr Ng Kwong Chue Paul, Mr Li Tong Yu and Mr Chan Cheong Yee; the Independent Non-executive Directors are Mr Peng Xue Jun, Mr David Wang Xin and Mr Chan Ming Fai.

CONDENSED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June 2004 (Unaudited)	Six months ended 30 June 2003 (Unaudited)
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	3	–	–
Other revenues	3	(117,591)	23,720
Administrative expenses		<u>(663,522)</u>	<u>(696,116)</u>
Loss before taxation	4	(781,113)	(672,396)
Taxation	5	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u>(781,113)</u>	<u>(672,396)</u>
Basic loss per share	7	<u>(0.39) cents</u>	<u>(0.34) cents</u>

CONDENSED BALANCE SHEET

		30 June 2004 (Unaudited) HK\$	31 December 2003 (Audited) HK\$
	<i>Note</i>		
Non-current assets			
Investments in securities	8	35,428,045	35,428,045
Current assets			
Interest receivables		643,803	643,803
Deposits and prepayment		105,000	226,460
Amounts due from substantial shareholders		–	60,805
Other investments	9	221,550	–
Cash and bank balances		8,711,696	9,422,543
		<u>9,682,049</u>	<u>10,353,611</u>
Current liabilities			
Accruals		19,161	169,610
Amount due to a related company	10	255,000	–
Amount due to directors	10	5,000	–
		<u>279,161</u>	<u>169,610</u>
Net current assets		<u>9,402,888</u>	<u>10,184,001</u>
Net assets		<u>44,830,933</u>	<u>45,612,046</u>
Capital and reserves			
Share capital	11	1,999,440	1,999,440
Reserves		42,831,493	43,612,606
Shareholders' funds		<u>44,830,933</u>	<u>45,612,046</u>
Net assets value per share	12	<u>HK\$0.22</u>	<u>HK\$0.23</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 January 2003	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	1,999,440	44,420,105	(1,081,526)	45,338,019
Profit for the period	–	–	274,027	274,027
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2003	1,999,440	44,420,105	(807,499)	45,612,046
Loss for the period	–	–	(781,113)	(781,113)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2004	<u>1,999,440</u>	<u>44,420,105</u>	<u>(1,588,612)</u>	<u>44,830,933</u>

CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June 2004 (Unaudited) HK\$	Six months ended 30 June 2003 (Unaudited) HK\$
Net cash (used in)/generated from operating activities	(494,611)	5,745,037
Net cash used in investing activities	(216,236)	(17,404,325)
Net cash used in financing activities	—	(67,910)
Net decrease in cash and cash equivalents	(710,847)	(11,727,198)
Cash and cash equivalents at 1 January	9,422,543	21,453,448
Cash and cash equivalents at 30 June	<u>8,711,696</u>	<u>9,726,250</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>8,711,696</u>	<u>9,726,250</u>

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

These condensed unaudited interim accounts are prepared in accordance with Hong Kong Financial Reporting Standard – Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountings 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

The accounting policies adopted are consistent with those followed in the preparation of the Company’s annual accounts for the year ended 31 December 2003.

3. Turnover and revenue

	Six months ended 30 June 2004 (Unaudited)	Six months ended 30 June 2003 (Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Turnover	–	–
Other revenues		
Bank interest income	694	23,720
Dividend income	4,734	–
Realised and unrealised loss on other investments	(123,019)	–
	<u>(117,591)</u>	<u>23,720</u>

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.

Bank interest income had been included in turnover in prior period. However, as the principal investment objective of the Company is to achieve medium-term (from 3-5 years) capital appreciation through investment in listed and unlisted companies, bank deposit interest and income from other investment are reclassified to other revenues.

4. Loss before taxation

Loss before taxation is stated after charging investment management fee of HK\$65,772 (2003: 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 (2003: nil).

6. Dividend

The directors resolved not to pay an interim dividend for the six months ended 30 June 2004.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$781,113 (2003: HK\$672,396) and the weighted average number of 199,944,000 (2003: 199,987,934) shares in issue during the period. The decrease in the weighted average number of shares in issue from last period was resulted from the repurchase of 56,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited on 23 May 2003. All of the shares were subsequently cancelled.

No diluted losses per share for the six-month period ended 30 June 2004 and 2003 has been presented as the effect of any dilution is anti-dilutive.

8. Investments in securities

	30 June 2004 (Unaudited) <i>HK\$</i>	31 December 2003 (Audited) <i>HK\$</i>
Unlisted equity securities, at fair value	18,000,000	18,000,000
Unlisted convertible notes, at cost	17,428,045	17,428,045
	<u>35,428,045</u>	<u>35,428,045</u>

9. Other investments

	30 June 2004 (Unaudited) <i>HK\$</i>	31 December 2003 (Audited) <i>HK\$</i>
Equity securities listed in Hong Kong, at fair value	<u>221,550</u>	<u>–</u>

10. Amount due to a related company/directors

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

11. Share capital

	Number of shares	<i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2004 and 30 June 2004	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 1 January 2004 and 30 June 2004	<u>199,944,000</u>	<u>1,999,440</u>

12. Net assets value per share

The calculation of net assets value per share is based on the net assets value of the Company as at 30 June 2004 of HK\$44,830,933 (31 December 2003: HK\$45,612,046) and 199,944,000 (31 December 2003: 199,944,000) ordinary shares in issue at that date.

13. Related party transactions

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

	Six months ended 30 June 2004 (Unaudited) HK\$	Six months ended 30 June 2003 (Unaudited) HK\$
Investment management fee paid to		
Hua Yu Investment Management Limited	–	76,314
China Everbright Securities (HK) Limited <i>(note a)</i>	65,772	9,581
	<u>65,772</u>	<u>85,895</u>
Brokerage commission paid to		
China Everbright Securities (HK) Limited <i>(note b)</i>	12,093	–
License fee paid and payable to		
Restart International Investment Limited <i>(note c)</i>	153,000	–

Note:

- (a) On 23 May 2003, the Company entered into an 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 assets value of the Company as at the last dealing date on the Stock 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.
- (b) Brokerage commission rate is charged at the rate ranged from 0.25% to 1% of the value of the transactions.
- (c) During the period, the Company has entered into a license agreement with Restart International Investment Limited (“Restart”), a company in which a director of the Company, Mr. Xiang Xin is also a director (the “License Agreement”). Pursuant to the License Agreement, the Company was granted the right to occupy an office unit and to use the available furniture, equipment and general administrative services. In return, the Company shall pay a deposit of HK\$102,000 and a monthly license fee of HK\$51,000 to Restart. The License Agreement commenced on 1 April 2004 and may terminate when 30 days notice is given by either party. For the six months ended 30 June 2004, the total amount of license fee payable to Restart was HK\$153,000. The license fee together with the deposit payable, totally HK\$255,000, was included in amount due to a related company in the balance sheet.

14. Post balance sheet event

There is no material post balance sheet event for disclosure.