



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim
Report 2005



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 2005.

The Company recorded total revenues of approximately HK\$6,860,000 for the six months ended 30 June 2005 as compared to a negative amount of approximately HK\$100,000 for the corresponding period in 2004. Total revenues mainly included realised and unrealised gain on investments of approximately HK\$6,850,000 while in 2004, it was realised and unrealised loss of approximately HK\$100,000. Profit attributable to shareholders for the period amounted to HK\$1,291,215, demonstrating an improvement from the loss of HK\$781,113 recorded in the corresponding period last year. The improvement was due to the gain on disposal of the right shares of a listed company.

The Board has resolved not to declare any dividend (six months ended 30 June 2004: nil) for the period under review.

BUSINESS REVIEW

For the period under review, the Company continued to hold investments in two unlisted companies and two unlisted convertible loan notes.

Investment Portfolios

For the period under review, the Company continued 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 125 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu.

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. During the period, the directors have carried out a review on the value of the investment in SNG and considered that an impairment loss of HK\$4,500,000 in the value of the investment should be recognized.

King Tiger Technology Company Limited (“King Tiger”) is incorporated in Taiwan 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 China 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 together with the accrued interest, if any, 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 China. China Ibonline had agreed to effect a restructure process for acquiring 100% 深圳市創銳 as its wholly owned subsidiary. Up to the date of this report, no information regarding the restructure process is available. 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. Up to the date of this report, China Ibonline had defaulted on the payment of interest since 31 December 2003. Further, the Company discovered that China Ibonline and 深圳市創銳 had silently moved out from their offices and the Company was unable to obtain latest financial information relating to China Ibonline and 深圳市創銳. In light of the above, the Company had made full provision in the last financial year against this investment for the sake of prudence.

PROSPECTS

The Company will continue to explore investment opportunities.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2005, the Company had cash and bank balances of approximately HK\$13,972,000. 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 was zero (net debt to shareholders' funds) as at 30 June 2005. Taking into consideration the existing financial resources of 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 COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2005, the Company did not pledge 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 2005, 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 2005 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	–	Corporate (Note 1)	13.00%
		800,000 (Note 2)	Family/beneficiary	
Ng Kwong Chue Paul	52,000,000	–	Corporate (Note 3)	26.00%
		1,000,000 (Note 4)	Personal/beneficiary	
David Wang Xin	–	400,000 (Note 4)	Personal/beneficiary	
Yeung Chin Cheung	–	1,200,000 (Note 4)	Personal/beneficiary	

Notes:

- The 26,000,000 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Xiang Xin.*
- 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.*
- The 52,000,000 shares are held by AP Wireless Net Inc., a private company wholly and beneficially owned by Ng Kwong Chue Paul.*
- On 29 January 2003, Ng Kwong Chue Paul, David Wang Xin and Yeung Chin Cheung 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 2005, 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 2005 were as follows:

	Date of grant	Number of share options		Option period	Subscription price per share HK\$	
		Outstanding as at 1 January 2005	Granted during the period			Outstanding as at 30 June 2005
Xiang Xin (<i>Note</i>)	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
Yeung Chin Cheung	29/1/2003	1,200,000	–	1,200,000	28/8/2003– 27/8/2013	0.25
Advisors	29/1/2003	16,600,000	–	16,600,000	28/8/2003– 27/8/2013	0.25
		<u>20,000,000</u>	–	<u>20,000,000</u>		

Note: 800,000 options were granted to Kung Ching, spouse of Xiang Xin, as an advisor of the Company.

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

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 2005, 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	Approximate 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%

Notes:

- Harvest Rise Investments Limited is a private company wholly and beneficially owned by Xiang Xin.*
- AP Wireless Net Inc. is a private company wholly and beneficially owned by Ng Kwong Chue Paul.*
- 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 2005, 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.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Code of Best Practice has been replaced by Code on Corporate Governance Practices (“CG Code”). The Company will continue the process of reviewing its corporate governance practices and implementing new and applicable measure under the CG Code.

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 during the period.

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 three Independent Non-executive Directors of the Company, namely Mr David Wang Xin, Mr Zang Hong Liang and Mr Wong Wang Tai.

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 2005.

On behalf of the Board

Xiang Xin

Executive Director

Hong Kong

22 September 2005

As at the date of this report, the Executive Directors of the Company are Mr Xiang Xin, Mr Ng Kwong Chue Paul, Mr Chan Cheong Yee, Mr Kwok Chi Hung and Mr Ng Tin Sang; the Non-executive Director is Mr Yap Shun Chung; the Independent Non-executive Directors are Mr David Wang Xin, Mr Zang Hong Liang and Mr Wong Wang Tai.



CONDENSED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2005 (Unaudited) <i>HK\$</i>	2004 (Unaudited) <i>HK\$</i>
Turnover	4	–	–
Revenues	4	6,859,424	(117,591)
Impairment loss recognised on available-for-sales financial assets		(4,500,000)	–
Administrative expenses		(1,068,209)	(663,522)
Profit/(loss) before taxation	5	1,291,215	(781,113)
Income tax expense	6	–	–
Profit/(loss) from ordinary activities attributable to shareholders		1,291,215	(781,113)
Earnings/(loss) per share			
– basic	8	0.65 cents	(0.39) cents

CONDENSED BALANCE SHEET

		30 June 2005 (Unaudited) HK\$	31 December 2004 (Audited) HK\$
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment in securities	9	–	26,928,045
Available-for-sales financial assets	9	22,428,045	–
Current assets			
Interest receivables		1,136,797	1,136,797
Other receivables		–	1,564,409
Deposits and prepayment		249,701	283,832
Financial assets at fair value through profit or loss		88,800	–
Cash and bank balances		13,971,650	6,742,990
		15,446,948	9,728,028
TOTAL ASSETS		37,874,993	36,656,073
EQUITY AND LIABILITIES			
Current liabilities			
Accruals		50,663	122,958
Equity			
Share capital	10	1,999,440	1,999,440
Reserves		35,824,890	34,533,675
Total equity		37,824,330	36,533,115
TOTAL EQUITY AND LIABILITIES		37,874,993	36,656,073
Net assets value per share	11	HK\$0.19	HK\$0.18



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 2004	1,999,440	44,420,105	(807,499)	45,612,046
Loss for the period	–	–	(781,113)	(781,113)
Balance at 30 June 2004	1,999,440	44,420,105	(1,588,612)	44,830,933
Balance at 1 January 2005	1,999,440	44,420,105	(9,886,430)	36,533,115
Profit for the period	–	–	1,291,215	1,291,215
Balance at 30 June 2005	1,999,440	44,420,105	(8,595,215)	37,824,330

CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Net cash from/(used in) operating activities	5,807,852	(494,611)
Net cash from/(used in) investing activities	1,420,808	(216,236)
Net increase/(decrease) in cash and cash equivalents	7,228,660	(710,847)
Cash and cash equivalents at 1 January	6,742,990	9,422,543
Cash and cash equivalents at 30 June	13,971,650	8,711,696
Analysis of balances of cash and cash equivalents		
Cash and bank balances	13,971,650	8,711,696

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Basis of preparation

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

The unaudited condensed interim financial statements have been reviewed by the audit committee of the Company and were approved by the Board on 22 September 2005.

3. Principal accounting policies

The financial statements are prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

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

In the current period, the Company has applied, 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 results in changes to the Company’s accounting policies in the following areas:

(a) *Share-based payment*

In the current period, the Company has applied HKFRS 2 “Share-based payments” which requires an expense to be recognised where the Company buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Company is in relation to the expensing of the fair value of share options granted by the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Company did not recognise the financial effect of these share options until they were exercised. The Company has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions.

(b) *Financial instruments*

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

The company has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the company classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debts and equity securities are classified as investment in securities, other investments or held to maturity investments as appropriate. Investments in securities are carried at cost less impairment loss (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Company classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sales financial assets”, “loans and receivables” or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sales financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held to maturity financial assets” are measured at amortised cost using the effective interest method.

On 1 January 2005, investment in securities classified under non-current assets with carrying amount of HK\$26,928,045 was reclassified to available-for-sales financial assets accordingly.

The change of the accounting policies described above has no effect on the results for current or prior periods.

The Company has not early applied the new Standards or Interpretations that have been issued by the HKICPA before 30 June 2005 but are not yet effective for accounting periods on or after 1 January 2005. The Directors of the Company anticipate that the application of these new Standards or Interpretations will not have material impact on the financial statements of the Company.

4. Turnover and revenue

	Six months ended 30 June	
	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Turnover	–	–
Revenues		
Bank interest income	10,544	694
Dividend income	–	4,734
Realised and unrealised gain/(loss) on investments	6,848,880	(123,019)
	6,859,424	(117,591)

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

5. Profit/(loss) before taxation

Profit/(loss) before taxation was stated after charging investment management fee of HK\$58,484 (2004: HK\$65,772).

6. Income tax expense

No provision for Hong Kong profits tax has been made in the financial statements as the Company has no assessable profit for the period (six months ended 30 June 2004: Nil).

7. Dividend

The Board resolved not to pay any interim dividend for the six months ended 30 June 2005.

8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders of HK\$1,291,215 (six months ended 30 June 2004: loss of HK\$781,113) and the weighted average number of 199,944,000 (six months ended 30 June 2004: 199,944,000) shares in issue during the period.

No diluted earnings/(loss) per share for the six-month period ended 30 June 2005 and 2004 has been presented as the Company had no dilutive potential ordinary shares for both periods.

9. Available-for-sales financial assets/investment in securities

	30 June 2005 (Unaudited) HK\$	31 December 2004 (Audited) HK\$
Unlisted equity securities, at fair value	13,500,000	18,000,000
Unlisted convertible notes, at cost	17,428,045	17,428,045
Less: Impairment loss recognised	8,500,000	8,500,000
	8,928,045	8,928,045
	22,428,045	26,928,045
Classified as:		
Investment in securities	–	26,928,045
Available-for-sales financial assets	22,428,045	–
	22,428,045	26,928,045

10. Share capital

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2005 and 30 June 2005	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	199,944,000	1,999,440

11. 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 2005 of HK\$37,824,330 (31 December 2004: HK\$36,533,115) and 199,944,000 (31 December 2004: 199,944,000) ordinary shares in issue at that date.

12. Connected and related party transactions

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

	Six months ended 30 June	
	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	58,484	65,772
Brokerage commission paid to China Everbright Securities (HK) Limited (<i>note b</i>)	30,849	12,093
License deposit paid to New Times Investment Management Limited (formerly known as Restart International Investment Limited (<i>note c</i>))	102,000	102,000
License fee paid and payable to New Times Investment Management Limited	306,000	153,000

Notes:

- (a) *The Company had entered into an investment management agreement with China Everbright Securities (HK) Limited ("China Everbright") 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, China Everbright 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. China Everbright 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) *The Company had entered into a license agreement with New Times Investment Management Limited (formerly known as Restart International Investment Limited) ("New Times"), a company of 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 New Times. The License Agreement commenced on 1 April 2004 and may terminate when 30 days notice is given by either party. The deposit was included in deposit and prepayment in the balance sheet.*

13. Post balance sheet event

There is no significant post balance sheet event for disclosure.