

## Chairman's Statement

On behalf of the Board of Directors (the "Directors") of Sino Technology Investments Company Limited (the "Company"), I am pleased to present to you the Company's audited final results for the year ended 31 December 2005.

### RESULTS

Turnover for the year ended 31 December 2005 amounted to HK\$7,474,554, a 535% increase from HK\$1,176,294 for the year ended 31 December 2004. Loss attributable to shareholders for the year amounted to HK\$9,511,663, demonstrating an increase of 4.8% over HK\$9,078,931 recorded in last year.

### BUSINESS REVIEW

The Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002.

For the year under review, the Company held investments in two unlisted companies namely Jinan Lugu and SNG and one unlisted convertible loan note from King Tiger, which amounting to total cost and book value of approximately HK\$26.9 million and HK\$13.5 million respectively. During the six months period ended 30 June 2005, the Company recognised an impairment loss of HK\$4,500,000 in respect of the investment in SNG. According to the Company's accounting policy, such impairment loss will not be reversed in subsequent period so the impairment loss was carried forward to 31 December 2005 regardless the appreciation in value of the investment at 31 December 2005. As a result of the unfavourable market situation of the business of King Tiger, impairment loss of approximately HK\$8.9 million was recognised.

### INVESTMENT PORTFOLIOS

For the year under review, the Company holds the following investments:

Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2005, it indirectly held 59.5% interest in a company incorporated in the People's Republic of China ("PRC"), of which the principal activity is manufacturing and trading of 陶瓷微電路基板, 微電路模塊, 陶瓷電子元(組)件. The Company holds 250 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 year.

SNG Hong Kong Limited ("SNG") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2005, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片. The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. During the six months period ended 30 June 2005, the Company recognised an impairment loss of HK\$4,500,000 in respect of the investment. According to the Company's accounting policy, such impairment loss will not be reversed in subsequent periods so the impairment loss was carried forward to 31 December 2005. The Company did not receive any dividend from SNG during the year.

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 together with the accrued interest, if any, into shares, directly or indirectly, in 安徽精通. King Tiger has defaulted on the payment of interest since 31 December 2003. Further, the Company was informed by King Tiger that there were certain disputes between the shareholders of 安徽精通 which hindered the conversion of the shareholding to King Tiger or to the Company directly. The latest unaudited financial information related to 安徽精通 available to the Company shows that there were significant net liabilities at 31 December 2005. On 29 March 2006, the Company received a written confirmation from King Tiger which confirmed that King Tiger would make their best effort to ensure that the converted interest of the Company in 安徽精通

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should not be less than 20%. However, it is the opinion of the directors that it is unrealistic to recover any monetary compensation from King Tiger since it is only a vehicle for a single indirect investment purpose. In light of the above, the Board formed a view that, for the sake of prudence, the value of this investment should be treated as fully impaired.

The Company holds a convertible loan note issued by China Ibonline Holding Co., Ltd. with face value of HK\$8,500,000. Due to reasons stated in the 2004 Annual Report, a full provision against this investment was provided in prior years. Given that the chance of recovery is very remote, the Board further resolved that the investment should be written off.

### PROSPECTS

Looking forward, with the economic environment continually improving in Hong Kong and Mainland China, the Company will continue to explore the investment opportunities.

### LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2005, the Company has cash and bank balances of approximately HK\$13,132,000. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks in Hong Kong.

For the year 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 31 December 2005. 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.

### CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the year. The capital of the Company comprises only ordinary shares.

### 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 31 December 2005, the Company has not pledged any assets and the Company did not have significant contingent liabilities.

### EMPLOYEE INFORMATION

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

### ACKNOWLEDGEMENTS

I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost support to us during the year.

**Wang Qing Yu**  
*Chairman*

Hong Kong, 19 April 2006