



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1217)



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FINANCIAL HIGHLIGHTS

Financial Highlights

The board of directors (the “Board”) of Sino Technology Investments Company Limited (the “Company”) is pleased to announce the interim results of the Company for the six month ended 30 June 2006 together with the comparative figures for the corresponding period of the last year as follows.

	Unaudited		Change %
	2006	2005	
	HK\$'000	HK\$'000	
Turnover	234,723	6,859,424	(97%)
(Loss)/profit for the period	(604,211)	1,291,215	(147%)
Net (loss)/profit Attributable to Equity Holders of the Company	(604,211)	1,291,215	(147%)
(Loss)/earning Per Share			
– basic, for loss for the period	(0.30) cents	N/A	N/A
– basic, for profit for the period	N/A	0.65 cents	N/A

Interim Dividend

To maintain the capital for operation and potential investment opportunities, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2006, the Company recorded a total turnover of HK\$234,723, representing an decrease of 97% compared to HK\$6,859,424 for the six months ended 30 June 2005. This decrease in turnover was mainly due to decrease in gains on financial assets.

The loss for the period was HK\$604,211, representing an decrease of 147% compared to profit of HK\$1,291,215 for the six months ended 30 June 2005. The treasury function of the Company generated HK\$54,381 profit from a portfolio of Hong Kong's listed securities.

The Company is an investment company under Chapter 21 of the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC.

During the six months ended 30 June 2006, the Company held investments in two unlisted companies namely Jinan LuGu (HK) Technology Development Limited ("Jinan Lugu") and SNG Hong Kong Limited ("SNG") and one unlisted convertible loan note from King Tiger Technology Company Limited ("King Tiger") in the investment portfolio, which amounted to total cost and book value of HK\$26,928,270 and HK\$13,500,225 respectively.

Jinan Lugu is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2006, Jinan Lugu 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 25% of the issued share capital of Jinan Lugu. There were no dividends received from this investment during the period under review.

SNG is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2006, SNG directly held 55% interest in Fine Triumph International Limited, and Fine Triumph International Limited held 70% interest, (i.e. SNG indirectly held 38.5% interest), in a company incorporated in the PRC, which is principally engaged in manufacturing and trading of fluorescent duo-diode. The Company holds {30%} of the issued share capital of SNG. No dividend was received during the period (2005: nil).



King Tiger is a Taiwan ROC incorporated company 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 is principally engaged in the manufacturing of solder ball by the Ball Grid Array technology. The Company holds a convertible loan note of King Tiger with principal amount of USD1,144,000 carrying an interest rate of 6.5% per annum. On or before the 6 months ended after maturity date, the Company had the right to convert the outstanding principal amount of the loan note together with the accrued interest, if any, into shares of 安徽精通, directly or indirectly. As at 30 June 2006, due to unfavourable market situation of this business of 安徽精通, full provisions had been made to the amount of the convertible loan note.

As at the date of this report, the Company continued to hold the abovementioned investments in the investment portfolio. The Board is of the view that the business operations and the performance of such investments will benefit from the continuing economic growth in the PRC in the foreseeable future. With the solid financial position, the Company will continue to evaluate potential investments with high investment returns and yields for the shareholders.

In the Company's announcement dated 23 August 2006, the Board announced that the Company will raise not less than approximately HK\$4.0 million before expenses, by way of rights issue of not less than 99,972,000 Rights Shares and not more than 109,572,000 Rights Shares at the subscription price of HK\$0.04 each. The Company will provisionally allot one Rights Share in nil-paid form for every two Shares held by the qualifying shareholders on the record date. The Rights Issue is only available to the qualifying shareholders.

In view of the continuous economic improvement in Hong Kong and PRC, the directors consider that it is in the interests of the Company and the shareholders to raise additional finance through the issue of additional equity, to enlarge the Company's plans to further expand organically and by acquisition. Furthermore, the directors consider that as the economy of Hong Kong and the PRC is picking up, more investment opportunities can be identified in the near future. The directors consider that the Rights Issue provides the Company with sufficient flexibility and financial resources for making such investments and it is in the interests of the Company and its shareholders as a whole to raise capital by way of the Rights Issue which will allow all shareholders to participate in the growth and future development of the Company on equal terms.

Prospect

The board adopts a cautions and prudent approach in the investment selection and management processes. Looking forward, due to the continuous improvement in the general economies in Hong Kong and the PRC, more investment opportunities can be identified. The Company will continue to explore new investment opportunities in Hong Kong and the PRC particularly in the electronic industry and related applications market. It is expected that investment in advanced technology market will help the Company to achieve medium to long-term capital appreciation for the shareholders. The Company has been actively searching for suitable investment opportunities to diversify its investment portfolio and to bring additional returns to the shareholders. Although no specific investment target had been identified as at the date of this report, the Company will continue to do so.

Upon completion of the above mentioned Rights Issue, the Company will be in a better financial position and can be more flexible in carrying out its investment objective, i.e. to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC.



Liquidity and Financial Resources

As at 30 June 2006, the Company had cash and bank balances of HK\$12,758,579. All the cash and bank balance 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 2006. 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.

Capital Structure

There has been no change in the capital structure of the Company during the six months ended 30 June 2006. The Company comprises only ordinary shares.

Foreign Currency Fluctuation

The Company mainly operates its business transaction 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 2006, the Company did not pledge its assets and the Company did not have significant contingent liabilities.

Contingent Liabilities

The Company did not has any contingent liabilities during under review.

Employee Information

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

Appreciation

Finally, for and on behalf of the Company and the board of directors, I would like to express my heartfelt gratitude to our shareholders, business partners and dedicated colleagues.

On behalf of the Board

Wang Qing Yu

Chairman

Hong Kong, 21 September 2006

ADDITIONAL INFORMATION

Disclosure of Interests

As at 30 June 2006, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (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 the 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 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) contained in the Listing Rules were as follows:–

(a) Ordinary Shares

Name of Director	Capacity	Number of Issued shares interested	Approximate percentage of interests
Xiang Xin	Corporation	26,000,000(L) (Note 2)	13.0%
Lin Zhiqun Brett	Corporation	52,000,000(L) (Note 3)	26.0%
Yap Shun Chung	Corporation	56,000,000(L) (Note 4)	28.0%

Notes:

- (1) The letter “L” denotes the Directors’ long position (i.e. interests) in the shares.
- (2) The 26,000,000 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang Xin is the sole director of Harvest Rise Investments Limited.
- (3) The 52,000,000 shares are held by AP Wireless Net Inc., a private company wholly and beneficially owned by Mr. Lin Zhiqun Brett. Mr. Lin Zhiqun Brett is the sole director of AP Wireless Net Inc..
- (4) The 56,000,000 shares are held by Skyline Horizon Limited, a private company wholly and beneficially owned by Mr. Yap Shun Chung. Mr. Yap Shun Chung is the sole director of Skyline Horizon Limited.

(b) Share Options

Name of Director	Date of grant	Exercise Period	Capacity	Exercise price per underlying share HK\$	Number of underlying share of the Company comprised the Options outstanding as at 30 June 2006 HK\$
Xiang Xin (Note 1)	29 Jan 2003	28 Aug 2003 to 27 Aug 2013	Interest of spouse	0.25	800,000
Ng Kwong Chue Paul (Note 2)	29 Jan 2003	28 Aug 2003 to 27 Aug 2013	Beneficial owner	0.25	1,000,000
David Wang Xin (Note 2)	29 Jan 2003	28 Aug 2003 to 27 Aug 2013	Beneficial owner	0.25	400,000

Notes:

- (1) On 29 January 2003, Ms. Kung Ching, spouse of Mr. Xiang Xin, was granted Options as an advisor of the Company to subscribe for 800,000 share pursuant to the Share Option Scheme. The Options are exercisable at the exercise price of HK\$0.25 per share during the period from 28 August 2003 to 27 August 2013. No relevant options have been exercised up to and including the date of this report.
- (2) On 29 January 2003, Mr. Ng Kwong Chue Paul was granted the options as an advisor of the Company and Mr. David Wang Xin was granted the options as the independent non-executive director of the Company to subscribe for 1,000,000 and 400,000 shares respectively pursuant to the Share Option Scheme. The options are exercisable at the exercise price of HK\$0.25 per share during the period from 28 August 2003 to 27 August 2013. No relevant options have been exercised up to and including the date of this report.



Save as disclosed above, none of the Directors or the chief executive of the Company or any of their associates had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying share and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 the 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 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests by Substantial Shareholders

As at 30 June 2006, so far as was known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or had any option in respect of such capital:

Name of Shareholder	Number of Issued share held	Approximate percentage of interests
Harvest Rise Investments Limited <i>(Note 2)</i>	26,000,000(L)	13.00%
AP Wireless Net Inc. <i>(Note 3)</i>	52,000,000(L)	26.00%
Skyline Horizon Limited <i>(Note 4)</i>	56,000,000(L)	28.01%
Ng Hing Wong	15,400,000(L)	7.70%
Shu Kwan Long	11,776,000(L)	5.89%

Notes:

- (1) The letter "L" denotes the shareholders' long position (i.e. interests) in the shares.*
- (2) Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang Xin is the sole director of Harvest Rise Investments Limited.*
- (3) AP Wireless Net Inc. is a private company wholly and beneficially owned by Mr. Lin Zhiqun Brett. Mr. Zhiqun Brett is the sole director of AP Wireless Net Inc.*
- (4) Skyline Horizon Limited is a private company wholly and beneficially owned by Mr. Yap Shun Chung. Mr. Yap Shun Chung is the sole director of Skyline Horizon Limited.*

As at 30 June 2006, save as disclosed above, so far as was known to the Directors, no other person (not being a Director or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class or share capital carrying rights to vote in all circumstances at general meeting or the Company or held any option in respect of such capital.

Other Information

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2006, the Company had not purchased, sold or redeemed any of its listed securities.

Corporate Governance

Code on Corporate Governance Practices

The Company had complied with the Code on Corporate Governance Practice ("Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2006, save for deviation from Codes A.4.1 and B.1.1.

Under the code provision A.4.1 of the Code, directors should be appointed for a specific term, subject to re-election.

None of the existing Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the Directors are subject to the retirement provisions of the Bye-laws of the Company that every Director shall be subject to retirement by rotation at least once every three years. 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.

Model Code on Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code regarding Directors' Securities Transactions.

Review by Audit Committee

The Audit Committee, comprising the three independent non-executive directors of the Company, has reviewed and discussed with the management the Company's unaudited interim financial report for the six months ended 30 June 2006, and the internal control and financial reporting matters.



CONDENSED INCOME STATEMENT

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
Turnover	5	234,723	6,859,424
Impairment loss recognised on available for sale financial assets		–	(4,500,000)
Administrative expenses	6	(838,934)	(1,068,209)
(Loss)/profit before taxation		(604,211)	1,291,215
Taxation	7	–	–
(Loss)/profit from ordinary activities attributable to shareholders		(604,211)	1,291,215
(Loss)/earnings per share – basic	9	(0.30) cents	0.65 cents

CONDENSED BALANCE SHEET

		30 June 2006 (Unaudited) HK\$	31 December 2005 (Audited) HK\$
	<i>Notes</i>		
Non-current assets			
Available-for-sale financial assets	<i>10</i>	13,500,225	13,500,225
Current assets			
Deposits and prepayment		197,206	325,411
Financial assets at fair value through profit or loss	<i>11</i>	–	218,200
Bank balances and cash		12,758,579	13,132,156
		12,955,785	13,675,767
Current liabilities			
Accruals		38,769	154,540
Net current assets			
		12,917,016	13,521,227
		26,417,241	27,021,452
Capital and reserves			
Share capital	<i>13</i>	1,999,440	1,999,440
Reserves		24,417,801	25,022,012
Total equity attributable to equity shareholders of the Company			
		26,417,241	27,021,452
Net assets value per share			
	<i>14</i>	HK\$0.13	HK\$0.14

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 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
Balance at 1 January 2006	1,999,440	44,420,105	(19,398,093)	27,021,452
Loss for the period	–	–	(604,211)	(604,211)
Balance at 30 June 2006	1,999,440	44,420,105	(20,002,304)	26,417,241

CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Net cash (used in)/from operating activities	(646,158)	5,807,852
Net cash from investing activities	272,581	1,420,808
Net (decrease)/increase in cash and cash equivalents	(373,577)	7,228,660
Cash and cash equivalents at 1 January	13,132,156	6,742,990
Cash and cash equivalents at 30 June	12,758,579	13,971,650
Analysis of balances of cash and cash equivalents		
Bank balances and cash	12,758,579	13,971,650

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 the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

The Company is an investment holding company. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC"). The Company did not hold listed investment as at 30 June 2006.

These condensed interim financial statements ("Interim Financial Statements") are presented in Hong Kong dollars ("HK\$") which is the functional currency of the Company. These Interim Financial Statements have been approved for issue by the Board of Directors on 21 September 2006.

2 Basis of preparation and accounting policies

These unaudited 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").

These Interim Financial Statements should be read in conjunction with the 2005 annual report.

3 Change in accounting policies

The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations which are relevant to the Company's operations are mandatory for the financial year ending 31 December 2006.

- HKAS 39 (Amendment) The Fair Value Option
- HK(IFRIC)-INT 4 Determining Whether an Arrangement Contains a Lease

The application of the above new/revised standards and interpretations did not result in substantial change to the Company's accounting policies.

The Company has not early applied the following new HKFRSs that have been issued by the HKICPA but not yet effective. The Company has considered these standards and interpretations but does not expect that they will have a material effect on how the results of operation and financial position of the Company are prepared and presented.

- HKAS 1 (Amendment) Presentation of Financial Capital Disclosure ¹
- HKFRS 7 Financial Instruments: Disclosures ¹
- HK(IFRIC)-INT 7 Applying the Restatement Approach under HKAS 29
 Financial Reporting in Hyperinflationary Economies ²
- HK(IFRIC)-INT 8 Scope of HKFRS 2 ³
- HK(IFRIC)-INT 9 Reassessment of embedded derivatives ⁴

¹ *Effective for periods beginning on or after 1 January 2007*

² *Effective for periods beginning on or after 1 March 2006*

³ *Effective for periods beginning on or after 1 May 2006*

⁴ *Effective for periods beginning on or after 1 June 2006.*

4 **Critical accounting judgments and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors of the Company make estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimate of impairment of investment in unlisted debts and securities

In the absence of information of an active market for unlisted debts and securities, the directors of the Company determine the amount within a range of reasonable impairment estimates by considering information from a variety of sources including:

- (i) Bi-annual review on the operating results and net assets value of an invested entity on balance sheet date;
- (ii) Historical operating performance and dividend distribution of the invested entity; and
- (iii) Gearing position and liquidity to meet working capital requirement of an invested entity.

5 Turnover

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	180,342	10,544
Realised and unrealised gain on financial assets at fair value through profit or loss	54,381	6,848,880
	234,723	6,859,424

No segment information is presented as the Company has only one business activity, namely investment holding, which is principally operating in Hong Kong and the PRC.

Bank interest income, realised and unrealised gain on financial assets at fair value through profit or loss had been included in other income in prior period. However, in the opinion of the directors, as an investment company, all income arising from investments including bank deposits should be turnover from the principal activity of the Company. The comparative figures for the six months period ended 30 June 2005 were restated to conform with current period presentation.

6 Administrative expenses

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Administrative expenses include the following:		
Legal and professional fee	333,433	578,719
License fee	306,000	306,000
Investment management fee	36,903	58,484

7 Taxation

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 2005: Nil).

8 Dividend

The directors resolved not to pay an interim dividend for the six months ended 30 June 2006.

9 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of HK\$604,211 (2005: profit of HK\$1,291,215) and on 199,944,000 (2005: 199,944,000) shares in issue during the period.

No diluted loss per share was presented for the six months ended 30 June 2006 as the impact of the exercise of the share options is anti-dilutive. No diluted earnings per share was presented for the six months ended 30 June 2005 because the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2005.

10 Available-for-sales financial assets

	30 June 2006 (Unaudited) HK\$	31 December 2005 (Audited) HK\$
Unlisted equity securities, at fair value	13,500,225	13,500,225
Unlisted convertible notes, at cost	8,928,045	8,928,045
Less: impairment loss recognised	8,928,045	8,928,045
	–	–
	13,500,225	13,500,225

11 Financial assets at fair value through profit or loss

	30 June 2006 (Unaudited) HK\$	31 December 2005 (Audited) HK\$
Equity securities, listed in Hong Kong, at fair value	–	218,200

12 Other financial assets

Cash and bank balances

Bank balances comprise short-term bank deposits at prevailing market interest rates. The fair value of these assets at 30 June 2006 approximate their corresponding carrying amount.

13 Share capital

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2006 and 30 June 2006	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2006 and 30 June 2006	199,944,000	1,999,440

14 Net assets value per share

The calculation of net assets value per share is based on the net asset value of the Company as at 30 June 2006 of HK\$26,417,241 (31 December 2005: HK\$27,021,452) and 199,944,000 (31 December 2005: 199,944,000) ordinary shares in issue at that date.

15 Share options

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme"), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.



Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

Details of the options granted under the Scheme and outstanding at 30 June 2006 are as follows:

Date of grant	Option period	Number of share options			Price per share to be paid on exercise of options <i>HK\$</i>
		Outstanding as at 1 January 2006	Granted during the year	Outstanding as at 30 June 2006	
29/1/2003	28/8/2003 – 27/8/2013	20,000,000	–	20,000,000	0.25

As at 30 June 2006, the number of shares issuable under the Scheme represented approximately 10% (2005: approximately 10%) of the Company's shares in issue as at that date.

No share options were exercised under the Scheme since its date of adoption.

16 Financial risk management objectives and policies

The Company's major financial instruments include investments in listed and unlisted securities, and bank balances. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Price risk

The Company's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Company is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(ii) Interest rate risk

The Company's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

In addition, the Company has exposure to fair value interest rate risk through the impact of the rate changes on unlisted convertible notes which are carried at fixed interest rate.

The Company has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to the change in foreign exchange rates. The Company's asset and liabilities are denominated in either Hong Kong dollars or United State dollars. The Company does not expect any significant movement in the exchange rate of United State dollars to Hong Kong dollars.

Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. The Company reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

17 Connected and related party transactions

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Investment management fee paid to China Everbright Securities (HK) Limited <i>(note a)</i>	36,903	58,484
Brokerage commission paid to China Everbright Securities (HK) Limited <i>(note b)</i>	8,047	30,849
License deposit withheld by/paid to New Times Investment Management Limited <i>(note c)</i>	102,000	102,000
License fee paid and payable to New Times Investment Management Limited	306,000	306,000

Note:

- (a) The Company has 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 asset 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 ranging from 0.25% to 1% of the value of the transactions.*
- (c) The Company has entered into a license agreement with New Times Investment Management Limited (“NTIML”), 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 NTIML. 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.*

18 Post balance sheet event

On 23 August 2006, the Board of Directors announced that the company would raise not less than HK\$3,998,880 before expenses, by way of right issue of not less than 99,972,000 Rights Shares and not more than 109,572,000 Rights Shares at the subscription price of HK\$0.04 each. The Company will provisionally allot one Rights Share in nil-paid form for every two Shares held by the qualifying shareholders on the record date by which entitlements to the Rights Issue are expected to be determined. As at the record date, there was no exercise of the subscription rights attaching to outstanding share options. Accordingly, the number of Right shares is fixed at 99,972,000.



CORPORATE INFORMATION

Directors

Executive Directors

Mr. Xiang Xin
Mr. Chan Cheong Yee
Mr. Kwok Chi Hung
Mr. Ng Tin Sang
Mr. Lin Zhiqun Brett

Non-Executive Directors

Mr. Wang Qing Yu (*Chairman*)
Mr. Yap Shun Chung
Mr. Ng Kwong Chue, Paul

Independent Non-executive Directors

Mr. David Wang Xin
Mr. Zang Hong Liang
Mr. Wong Wang Tai

Company Secretary

Lo Chi Ko

Registered Office

Century Yard, Cricket Square
Hutchins Drive, P.O.Box 2681 GT
George Town, Grand Cayman
British West Indies

Principal Place of Business in Hong Kong

Unit D, 20th Floor,
Manulife Tower,
169 Electric Road,
North Point, Hong Kong.

Principal Share Registrar

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands
British West Indies

Investment Manager

China Everbright Securities (HK) Ltd

Legal Adviser

Ford, Kwan & Company
Solicitors & Notaries

Auditors

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)

Principal Banker

Bank of China (Hong Kong) Limited

Stock Code

1217

Hong Kong Branch Share Registrar

Union Registrars Limited
311-312 Two Exchange Space,
Central, Hong Kong