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**SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED**

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

**(Stock Code: 1217)**

**PROPOSED RIGHTS ISSUE OF NOT LESS THAN 3,000,120,000 RIGHTS SHARES  
AND NOT MORE THAN 3,838,992,000 RIGHTS SHARES  
AT HK\$0.04 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE  
(IN THE PROPORTION OF 10 RIGHTS SHARES FOR  
EVERY SHARE HELD ON THE RECORD DATE);**

**PRIVATE SUBSCRIPTION OF UNLISTED WARRANTS;  
PROPOSED INCREASE IN THE AUTHORISED  
SHARE CAPITAL OF THE COMPANY;  
CHANGE IN BOARD LOT SIZE  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Financial adviser to the Rights Issue and  
Subscription of Warrants**

**COMMERZBANK** 

Commerzbank AG Hong Kong Branch

**Underwriter to the Rights Issue**



恒明珠證券有限公司  
ETERNAL PEARL SECURITIES LTD.

**THE PROPOSED RIGHTS ISSUE**

The Board is pleased to announce that the Company proposed to raise not less than approximately HK\$120 million, before expenses by way of rights issue of not less than 3,000,120,000 Rights Shares (assuming no exercise of the subscription rights attaching to the Outstanding Options and the Warrants on or before the Record Date) and not more than approximately HK\$153 million before expenses by issuing not more than 3,838,992,000 Rights Shares (assuming the subscription rights attaching to the Outstanding Options and the Warrants are exercised in full on or before the Record Date) at the Subscription Price of HK\$0.04 per Rights Share. The Rights Issue will be fully underwritten. The Underwriter has agreed to underwrite not less than 3,000,120,000 Rights Shares and not more than 3,239,160,000 Rights Shares and has made sub-underwriting arrangement with certain sub-underwriters

which are Independent Third Parties such that none of the Underwriter and the sub-underwriters will be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Shares. Mr. Lin has undertaken to the Underwriter and the Company that he will not and will not procure to exercise the subscription rights attaching to the 78,000,000 Shares owned by him as at the date of this announcement. Mr. Xiang has also undertaken to the Underwriter and the Company that he will and will procure to subscribe for not less than 291,660,000 Right Shares. If the Warrants are exercised on or before the Record Date, the Subscriber has undertaken to the Company that she will and will procure to exercise the subscription rights attaching to the Warrants Shares owned by her to the extent that the Warrants are exercised. As at the date of this announcement, save for the Outstanding Options granted under the Share Option Scheme and exercise in full, 23,904,000 Shares will be issued and the Warrants to subscribe for 59,983,200 Warrants Shares, the Company has no other outstanding options, convertible securities or warrants which confer the right to subscribe for the Shares as at the date of this announcement.

For purpose of maintaining the minimum 25% public float upon completion of the Rights Issue, the Underwriter/sub-underwriters have confirmed to the Company that immediately on the date of the EGM, depending on the then circumstances, they will take appropriate steps, including, but not limited to, appointment of a placing agent to facilitate the placing down of Shares immediately upon completion of the Rights Issue in order to enable the Company to maintain the minimum 25% public float.

The Rights Issue is only available to the Qualifying Shareholders. For the Non-qualifying Shareholders, the Company will make arrangement to sell the Rights Shares in their nil-paid form in the market and the proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Non-qualifying Shareholders in Hong Kong dollars pro-rata to their respective shareholding as soon as practicable.

The aggregate number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 10 times the issued share capital of the Company as at the date of this announcement and approximately 90.9% of the enlarged issued share capital of the Company immediately following the completion of the Rights Issue.

Shareholder must register as a member of the Company on or before 4:00 p.m. on the Record Date so as to qualify for the Rights Issue, and must not be a Non-qualifying Shareholder. Any transfers of the Shares (with relevant share certificates) must be lodged for registration by 4:00 p.m. on 4 October 2007 with the Registrar. The register of members of the Company will be closed from 5 to 9 October 2007, both dates inclusive. No transfer of Shares will be registered during this period. Existing Shares will be dealt in on an ex-right basis from 3 October 2007.

The Prospectus containing, among others, further details of the proposed Rights Issue is expected to be sent to the Shareholders on or about 11 October 2007.

The Company will despatch the Rights Issue Document to each of the Qualifying Shareholders and the Prospectus to each of the Non-qualifying Shareholders (if any), for their information only, as soon as practicable.

## **WARNING OF THE RISKS OF DEALING**

Dealings in the Rights Shares in nil-paid form are expected to take place from 15 to 23 October 2007 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled on or before 4:00 p.m. on the second Business Day following the Latest Acceptance Time (being 18 October 2007) (or such other time or date as may be agreed between the Underwriter and the Company), or the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Any dealings in the Shares from now on and up to the date on which all such conditions to which the Rights Issue is subject are fulfilled, and any dealings in the nil-paid Rights Shares from 15 to 23 October 2007 (both dates inclusive), should bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors should consider obtaining professional advice.

## **SUBSCRIPTION OF UNLISTED WARRANTS**

The Board is also pleased to announce that the Company has, on 16 August 2007, entered into the Warrants Subscription Agreement with the Subscriber in relation to a private subscription of 59,983,200 Warrants at an issue price of HK\$0.01 per Warrant.

The Warrants entitle the Subscriber to subscribe for the Warrants Shares at an initial Exercise Price of HK\$0.33 per Warrants Share for a period of three years commencing from the date of issue of the Warrants. Each of the Warrants carries the right to subscribe for one Warrants Share.

## **USE OF PROCEEDS FROM THE RIGHTS ISSUE AND THE WARRANTS SUBSCRIPTION**

The CSTIND, NDRC and SOASAC jointly issued a policy direction of Circular No. 546 recently, concerning the reform and restructuring of the state-owned enterprises in the national defense and related industry in the PRC for the purpose of enhancing operating efficiency and financial performance of these state-owned enterprises as well as to encourage qualified foreign investors to participate in their reform and restructuring. The Directors considered such policy direction will provide the Company with a good investment opportunity to participate in the reform and restructuring of these state-owned enterprises in the national defense and related industry in the PRC. The Directors are also positive about the prospects of the financial industry in the PRC. The Company intends to use the net proceeds of approximately HK\$117 million (assuming no exercise of the subscription rights attaching to the Outstanding Options and the Warrants on or before the Record Date) and approximately HK\$150 million (assuming the subscription rights attaching to the Outstanding Options and the Warrants are exercised in full on or before the Record Date), together with the proceeds from the Warrants Subscription of approximately HK\$20 million principally for such purposes. However, as at the date of this announcement, the Company has not identified any specific investment targets.

## **INCREASE IN THE AUTHORISED ISSUED SHARE CAPITAL OF THE COMPANY**

In order to accommodate the allotment and issue of the Rights Shares and the Warrants Shares under the Rights Issue, the Board proposed to increase its authorised share capital from HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each as at the date of this announcement, to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each.

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Board proposed to amend Article 98(5) of the Article of Association for the purpose of complying with the revised Appendix 3 to the Listing Rules that came into effect on 1 March 2006.

### **CHANGE IN BOARD LOT SIZE**

The Board also proposed that the board lot size of the Shares for trading on the Stock Exchange will be changed from 8,000 Shares to 32,000 Shares with effect from 31 October 2007 subject to completion of the Right Issue. The change in the board lot size will not affect any of the Shareholders' rights.

### **LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital and the market capitalisation of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules the relevant resolutions regarding the Rights Issue must be made conditional upon approval by the Shareholders at the EGM and any controlling Shareholders and their associates shall abstain from voting in favour of the relevant resolutions. Since there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined under the Listing Rules) will abstain from voting in favour of the relevant resolutions relating to the Rights Issue. Accordingly, each of Mr. Xiang, Mr. Chan Cheong Yee, Mr. Kwok Chi Hung, Mr. Ng Tin Sang and Mr. Lin, being the executive Directors, and Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul, being the non-executive Directors, and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue if any of them has remained as a Director and/or senior management of the Company and holds Shares as at the date of the EGM. Save for Mr. Xiang and Mr. Lin who hold 87,600,000 Shares and 78,000,000 Shares respectively (representing approximately 29.2% and 26.0% of the issued share capital of the Company, respectively), no other Directors are interested in any Shares as at the date of this announcement.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An independent board committee comprising all the independent non-executive Directors will be formed to make recommendations to the Independent Shareholders in relation to the Rights Issue and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in relation to the Rights Issue.

### **GENERAL**

A circular containing, among other things, details of (i) the Rights Issue; (ii) the Warrants Subscription; (iii) the proposed increase in the authorised share capital of the Company; (iv) the proposed amendments to the Article of Association; (v) the letter from the independent board committee; (vi) the letter from the independent financial adviser to the independent board committee and the Independent Shareholders; and (vii) the notice convening the EGM will be despatched to the Shareholders as soon as practicable.

## THE RIGHTS ISSUE

### Issue Statistics

Basis of Rights Issue	: 10 Rights Shares for every Share held on the Record Date
Number of Shares in issue	: 300,012,000 Shares
Subscription Price	: HK\$0.04 per Rights Share with nominal value of HK\$0.01 each
Number of Rights Shares:	: Not less than 3,000,120,000 Rights Shares (assuming no exercise of the subscription rights attaching to the Outstanding Options and the Warrants on or before the Record Date) and not more than 3,838,992,000 Rights Shares (assuming full exercise of the subscription rights attaching to the Outstanding Options and the Warrants on or before the Record Date)
Underwriter	: Eternal Pearl Securities Ltd.

The Rights Issue will be fully underwritten. The Underwriter has agreed to underwrite not less than 3,000,012,000 Rights Shares and not more than 3,239,160,000 Rights Shares and has made sub-underwriting arrangement with certain sub-underwriters which are Independent Third Parties such that none of the Underwriter and the sub-underwriters will be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Shares upon completion of the Rights Issue. Mr. Lin has undertaken to the Underwriter and the Company that he will not and will not procure to exercise the subscription rights attaching to the 78,000,000 Shares owned by him as at the date of this announcement. Mr. Xiang has also undertaken to the Underwriter and the Company that he will and will procure to subscribe for no less than 291,660,000 Right Shares. If the Warrants are exercised on or before the Record Date, the Subscriber has undertaken to the Company that she will and will procure to exercise the subscription rights attaching to the Warrants Shares owned by her to the extent that the Warrants are exercised.

As at the date of this announcement, save for the Outstanding Options granted under the Share Option Scheme and upon the full exercise of such Outstanding Options which 23,904,000 Shares will be issued, the Company has no other outstanding options, convertible securities or warrants which confer the right to subscribe for the Shares as at the date of this announcement. Assuming the subscription rights attaching to the Outstanding Options and the Warrants are exercised in full before the Record Date, the number of total issued Shares will be increased to 383,899,200 Shares and the number of Rights Shares to be issued pursuant to the Rights Issue will be increased from 3,000,120,000 Rights Shares to 3,838,992,000 Rights Shares.

The aggregate number of the Rights Shares to be issued pursuant to the terms of the Rights Issue represents:

- (i) 10 times the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 90.9% of the enlarged issued share capital of the Company immediately following the completion of the Rights Issue.

Save for the Outstanding Options granted under the Share Option Scheme, the Company has no other outstanding options, convertible securities or warrants which confer the right to subscribe for the Shares as at the date of this announcement.

### **Qualifying Shareholders**

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus to the Non-qualifying Shareholders, for information only. A Shareholder must register as a member of the Company at or before 4:00 p.m. on the Record Date to be qualified for the Rights Issue, and must not be a Non-qualifying Shareholder. For the holders of the Outstanding Options and holders of the Warrants who wish to participate in the Rights Issue, he/she must (i) exercise his/her respective subscription rights in accordance with the relevant procedures specified in the rules of the Share Option Scheme (as regards the holders of the Options) and the Warrants (as regards the holders of the Warrants) on or before 4:00 p.m. on the Record Date; (ii) register as the holders of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options and the Warrants on the Record Date and (iii) not being a Non-qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholder must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Registrar, at Suites 311-312, Two Exchange Square, Central, Hong Kong, for registration not later than 4:00 p.m. on 4 October 2007.

### **Closure of register of members**

The register of members of the Company will be closed from 5 to 9 October 2007, both dates inclusive, for determination of entitlements under the Rights Issue. No transfer of Shares will be registered during this period.

## **TERMS OF THE RIGHTS ISSUE**

### **Subscription price**

The Subscription Price is HK\$0.04 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its relevant provisional allotments of the Rights Issue or applies for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Right Shares. The Subscription Price represents:

- (i) a discount of approximately 87.30% to the closing price of HK\$0.315 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 33.33% to the theoretical ex-rights price of HK\$0.06 per Share based on the closing price per Share on the Last Trading Day;
- (iii) a discount of approximately 89.01% to the average closing price of HK\$0.364 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 89.85% to the average closing price of HK\$0.394 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; and

- (v) a discount of approximately 57.98% of the net asset value per Share of HK\$0.0952 as at 31 July 2007 (based on the latest published unaudited net assets of the Group published on the Stock Exchange's website).

In order to enhance the attractiveness of the Rights Issue to the Qualifying Shareholders, it is common that the subscription prices of rights issues represent discounts to the market prices of the relevant shares. The Subscription Price was determined after arm's length negotiations between the Underwriter and the Company with reference to (i) the current and historical market prices of the Shares and recent market conditions; (ii) the low liquidity of the Shares in the past 6 months; (iii) the discounts rates of the subscription price of the recent rights issues exercises by other listed issuers; and (iv) the fact that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company on the Record Date, the Directors consider the terms of the Rights Issue, including the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Basis of provisional allotments**

There are 10 Rights Shares for every Share held by a Qualifying Shareholder on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the corresponding PAL and lodging the same with a remittance for the Rights Shares being applied for.

### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the then existing Shares in issue in all respects. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of the allotment and issue of the Rights Shares in their fully paid form. The Right Shares in both their nil-paid and fully-paid forms will be traded in board lot of 32,000 Shares which is the same as the board lot size for trading in Shares on the Stock Exchange after the change in board lot size. Dealing in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

### **Rights of Non-qualifying Shareholders**

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong.

According to the Company's latest register of members, there are no Shareholders whose registered addresses shown in the register of members of the Company are outside Hong Kong.

In compliance with Rule 13.36(2) of the Listing Rules, the Directors will make enquiries as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Non-qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have not been provisionally allotted to the Non-qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be distributed by the Company in Hong Kong dollars to the Non-qualifying Shareholders on a pro rata basis (but rounded down to the nearest cent) to their respective shareholdings on the Record Date, except that individual amounts of less than HK\$100 will not be so distributed but will be retained for the benefit of the Company. Any unsold entitlements of the Non-qualifying Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply for any unsold entitlements of the Non-qualifying Shareholders, any unsold fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted, by way of excess application. Application for excess Rights Shares is made by completing and lodging the EAF together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the suggestions given by the Registrar, but will give preference to topping-up odd lots to whole board lots of Shares. Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the topping-up of odd lots for allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) to increase their chances of allotment of the excess Rights Shares prior to the Record Date. If Shareholders whose Shares are held by their nominee(s) would like to have their names registered on the register of members of the Company, he/she/it must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:00 p.m. on or about 4 October 2007. The expected latest time and date for acceptance of Rights Shares is expected to be at 4:00 p.m. on 26 October 2007, or such later date as may be agreed between the Underwriter and the Company.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue as set out below, Share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate, and paid for the Rights Shares by ordinary post) at their own risk on or before 5 November 2007. Refund cheques in respect of wholly or partially unsuccessfully applications for excess Rights Shares are also expected to be posted on or before 5 November 2007 by ordinary post to the applicants at their own risk.

### **Application for listing**

The Shares are currently trading on the Stock Exchange in board lots of 8,000 Shares. The Rights Shares in both in their nil-paid and fully-paid forms are expected to be traded in board lots of 32,000 Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.



Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

## **CONDITIONS OF THE RIGHTS ISSUE**

The Rights Issue is conditional upon, among other things, each of the following events happening:

- (i) the passing by the Shareholders (other than Mr. Lin and Mr. Xiang and any of the Directors (other than independent non-executive Directors) and the chief executive of the Company and their respective associates if any of them has remained as a Director and/or senior management of the Company and holds Shares as at the date of the EGM) at the EGM of an ordinary resolution (such vote shall be taken by way of poll) to approve the Rights Issue and the increase in the authorised share capital of the Company as contained in the EGM notice, by no later than the Prospectus Posting Date;
- (ii) the delivery of the resolution of the Board approving and implementing the Rights Issue and the entering into the Underwriting Agreement and the transactions contemplated therein;
- (iii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of the Rights Issue Documents duly certified by two Directors (or by their agents duly authorized in writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (iv) the posting of the Rights Issue Documents to the Qualifying Shareholders (other than the Non-qualifying Shareholders) on the Prospectus Posting Date;
- (v) if so required, the Cayman Islands Monetary Authority approving the allotment and issue of the Rights Shares;
- (vi) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having withdrawn or revoked, the listings of, and permission to deal in, the Rights Shares in their nil-paid form and fully-paid form not later than 15 October 2007, being the expected date of commencement of dealings in the Rights Shares in nil-paid form (or such other date as may be agreed between the Underwriter and the Company);
- (vii) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (viii) compliance with the performance of all the undertakings and obligations of the Underwriter;

- (ix) the delivery of the verification notes relating to the Prospectus duly signed by or on behalf of the Directors; and
- (x) letters from the auditors of the Company addressed to the Company reporting on the working capital of the Group, confirming the indebtedness statement and other financial information contained in the Prospectus and consenting to the issue of the Prospectus with inclusion of their names and references thereto.

If the conditions to which the Rights Issue is subject are not fulfilled or waived jointly by the Underwriter and the Company on or before 4:00 p.m. on the second Business Day following the Latest Acceptance Time (being 18 October 2007) (or such other time or dates as may be agreed between the Underwriter and the Company) or if the Underwriting Agreement is terminated, all obligations and liabilities of the parties under the Underwriting Agreement will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches arising out of or in connection with the Underwriting Agreement) save that the Company will remain liable to pay the Underwriter an underwriting commission as specified in the Underwriting Agreement. As the Rights Issue is subject to the above conditions, it may or may not proceed accordingly. Further details as regards the Rights Issue will be contained in the Prospectus which is expected to be despatched to the Shareholders on or about 11 October 2007.

## **UNDERWRITING AGREEMENT**

**Date** 16 August 2007

**Underwriter** Eternal Pearl Securities Ltd.

To the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Underwriter and their respective ultimate beneficial owners are Independent Third Parties. The Underwriter has agreed to underwrite not less than 3,000,012,000 Rights Shares and not more than 3,239,160,000 Rights Shares.

### **Commission**

The Company will pay to the Underwriter an overall underwriting commission of 2.11% of the Subscription Price. The Directors consider that the underwriting commission is on normal commercial terms.

### **Termination of the Underwriting Agreement**

The Underwriter reserves the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company on the occurrence of certain events including the force majeure due to which the success of the Rights Issue would be materially and adversely affected at any time prior to 4:00 p.m. on the second Business Day following the Latest Acceptance Time upon due consultation with the Company. Force majeure includes the following:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material adverse change in the business or in the financial or trading position or prospectus of the Group as a whole; or
- (d) any material adverse change in market conditions (including, without limitation a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions, including a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (e) the circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any application regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materiality and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it; or
- (f) any suspension in the trading of the Shares on the Stock Exchange for more than five consecutive Business Days.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party shall have any claim against other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercise such right, the Rights Issue will not proceed.

#### **WARNING OF THE RISKS OF DEALING**

Existing Shares are expected to be dealt in on an ex-rights basis from 3 October 2007. Dealing in the Rights Shares in nil-paid form are expected to take place from 15 to 23 October 2007 (both dates inclusive). If the conditions of the Rights Issue (see the section headed “Conditions of the Rights Issue” above) are not fulfilled on or before 4:00 p.m. on the second Business Day following the Latest Acceptance Time (expected to be 18 October 2007) (or such other time or dates as may be agreed between the Underwriter and the Company), or the Underwriter terminate the Underwriting Agreement, the Rights Issue will not proceed.

Any dealings in the Shares from now on and up to the date on which all such conditions to which the Rights Issue is subject are fulfilled, and any dealings in the nil-paid Rights Shares from 15 to 23 October 2007 (both dates inclusive), should bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors should consider obtaining professional advice.

### **CHANGE IN BOARD LOT SIZE**

The Board also proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 8,000 Shares to 32,000 Shares with effect from 31 October 2007 subject to completion of the Right Issue. The change in the board lot size will not affect any of the Shareholders' rights.

Shareholders may submit their existing share certificates in existing board lot of 8,000 Shares each to the Registrar, at Suites 311–312 Two Exchange Square, Central, Hong Kong, in exchange for new share certificates in board lot of 32,000 Shares each free of charge during business hours from 31 October to 27 November 2007 (both dates inclusive). Such exchange of share certificates thereafter will be accepted only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lot of 32,000 Shares each issued or each existing share certificate submitted, whichever number of share certificate involved is higher. It is expected that the new share certificates will be available for collection from the Company's branch share registrar by the Shareholders within 10 business days after delivery of the existing share certificates to the Registrar for exchange purpose.

As from 31 October 2007, any new share certificate will be issued in board lot of 32,000 Shares each (except for odd lots or where the Registrar is otherwise instructed). All existing share certificates in board lot of 8,000 Shares each will continue to be evidence of title to such Shares and be valid for transfer, delivery and settlement purposes.

Odd lot of the Shares may arise as a result of the change in the board lots size. In order to alleviate the difficulties in trading odd lot of the Shares, the Company has appointed Eternal Pearl Securities to act as the agent to match, on a "best-effort" basis, the sale and purchase of odd lots of Shares arising from the change in board lots from 31 October 2007 up to and including 20 November 2007. Such arrangement is to facilitate the Shareholders who wish to dispose of or top up their odd lot of Shares. Shareholders who wish to take advantage of this facility should contact Mr. Jansen Au of Eternal Pearl Securities at Units 2901-06, 29/F., Cosco Tower, 183 Queen's Road Central, Hong Kong (Tel: 3199 0820) during the period. Shareholders should note that the matching of the sale and purchase of odd lot of Shares is not guaranteed.

Shareholders are recommended to consult their licensed securities dealers, bank managers, solicitors, professional accountants or other professional advisers if they are in any doubt about the facility described above.

## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

2007

Despatch of the Company's circular with notice of EGM .....	17 September
Last day of dealing in Shares on a cum-rights basis .....	2 October
First day of dealing in Shares on an ex-rights basis .....	3 October
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue .....	4:00 p.m. on 4 October
Register of members of the Company closes (both dates inclusive) .....	5 to 9 October
Latest time for return of the form of proxy for use at the EGM .....	10:00 a.m. on 7 October
Date of EGM .....	10:00 a.m. on 9 October
Announcement of results of EGM on the respective websites of the Company and the Stock Exchange .....	By 11:00 p.m. on 9 October
Record Date .....	9 October
Register of members re-opens .....	10 October
Despatch of the Rights Issue Documents .....	11 October
First day of dealings in nil-paid Rights Shares .....	15 October
Latest time for splitting of nil-paid Rights Shares .....	4:00 p.m. on 17 October
Last day of dealings in nil-paid Rights Shares .....	23 October
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares .....	4:00 p.m. on 26 October
Effective date of the change in board lot size from 8,000 Shares to 32,000 Shares .....	31 October
First day for free exchange of existing share certificates in board lots size of 8,000 Shares for new share certificate in board lots of 32,000 Shares .....	31 October
First day of odd lot facility of the change in board lots size from 8,000 Shares to 32,000 Shares .....	31 October
Latest time for termination of the Underwriting Agreement .....	4:00 p.m. on 31 October

Latest time for the Rights Issue to become unconditional .....	4:00 p.m. on 31 October
Announcement of results of acceptance of and excess applications for the Rights Issue to be published in the respective websites of the Company ( <a href="http://www.1217.com.hk/notice.asp">http://www.1217.com.hk/notice.asp</a> ) .....	By 11:00 p.m. on 2 November
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before .....	5 November
Despatch of certificates for fully-paid Rights Shares on or before .....	5 November
Commencement of dealings in fully-paid Rights Shares .....	7 November
Last day of odd lot facility of the change in board lot size from 8,000 Shares to 32,000 Shares .....	20 November
Last day for free exchange of existing share certificate in board lots of 8,000 Shares for new certificate in board lots of 32,000 Shares .....	By 4:00 p.m. on 27 November

Dates specified in this announcement for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any changes to the expected timetable for the Rights Issue will be announced as appropriate.

## WARRANTS SUBSCRIPTION AGREEMENT

<b>Date</b>	16 August 2007
<b>Issuer:</b>	The Company
<b>Subscriber:</b>	Ms. Leung Rui Ling, Florence, an Independent Third Party, whom was introduced by China Everbright Securities (HK) Limited, the investment manager of the Company.

### Information on the Subscriber

The Subscriber is an Independent Third Party.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Subscriber and her respective associates (as defined under the Listing Rules) are Independent Third Parties. Before entering into the Warrants Subscription Agreement, the Subscriber did not have any interests in the Shares or any business dealings with the Group.

## **Undertaking of the Subscriber**

The Subscriber has unconditionally undertaken that, if the Company has proposed/announced to issue new Shares by way of rights issue (including the Rights Issue as detailed in this announcement) within the first three months from the date of the Warrants Subscription Agreement and if the Subscriber has exercised any of the Warrants on or before the Record Date, the Subscriber will and will procure to exercise the subscription rights attaching to the Warrants Shares owned by her to the extent that the Warrants are exercised.

## **Number of Warrants**

A total 59,983,200 Warrants will be issued under the Warrants Subscription Agreement and upon exercise of the subscription rights attached to the Warrants. Since the Company has not utilized any of its General Mandate since its refreshment on 25 May 2007, the total of 59,983,200 Warrants Shares will be issued under the General Mandate.

## **Warrants Issue Price**

HK\$0.01 per Warrant.

## **Exercise Price**

HK\$0.33 per Warrants Share, subject to adjustments for, among other things, subdivision or consolidation or reclassification of Shares, issue of Shares by way of capitalization of profit or reserves, distribution in cash or specie to the Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, or offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options, warrants or other rights to subscribe for or purchase any Shares, or issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, or issue for cash any Shares at a price which is less than 90% of the market price or the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company.

In the event the Subscriber has not exercised any of the subscription rights attaching to the Warrants before the Record Date, the Exercise Price will be adjusted by (i) the number of Shares in issue immediately before the date of this announcement (ii) the number of Shares which the total amount payable for all of the new Shares being offered for subscription by the Rights Issue at the closing price of the Shares as at the date of this announcement; and (iii) the aggregate number of Shares being offered for the Rights Issue. Based on the closing price of the Shares as at the Last Trading Day of HK\$0.315 and for illustration purpose only, the adjusted Exercise Price will be HK\$0.068.

The Exercise Price of HK\$0.33 represents:

- (i) a premium of approximately 4.76% over the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 9.34% over the average closing price of HK\$0.364 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- (iii) a discount of approximately 29.79% to the average closing price of HK\$0.470 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 16.67% over the average closing price of HK\$0.396 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 246.64% over the net asset value per Share of HK\$0.0952 as at 31 July 2007 (based on the latest published unaudited net assets of the Group published on the Stock Exchange's website).

The aggregate of the Warrants Issue Price and the Exercise Price of HK\$0.34 represents:

- (i) a premium of approximately 7.94% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange the Last Trading Day;
- (ii) a premium of approximately 6.59% over the average closing price of HK\$0.364 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 27.66% to the average closing price of HK\$0.470 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.14% to the average closing price of HK\$0.396 per Share as quoted on the Stock Exchange on for the last 60 consecutive trading days up to and including the Last Trading Date; and
- (v) a premium of approximately 257.14% over the net asset value per Share of HK\$0.0952 as at 31 July 2007 (based on the latest published unaudited net assets of the Group published on the Stock Exchange's website).

The Board considers that both the Warrants Issue Price and the Exercise Price and the aggregate of them, which are determined after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares. Given that the Exercise Price is at close proximity to the last 60 consecutive trading days up to and including the Last Trading Day and approximately 2.5 times the net asset value per Share as at 31 July 2007, the Directors consider that the Exercise Price is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Transferability**

Subject to all applicable laws and regulations, the Warrants may be transferable to any person (save as the connected person of the Company) in whole multiples of HK\$330,000. The Company and the Directors will notify the Stock Exchange for any dealings by the connected persons (as defined under the Listing Rules) of the Company in the Warrants from time to time immediately upon the Company becoming aware of it.



## **Completion Date**

Completion will take place on the third Business Day after the fulfillment of the conditions referred to in the section headed “Conditions of the Warrants Subscription” below.

## **Information of the Warrants**

The Warrants will be issued to the Subscriber upon completion of the Warrants Subscription in registered form and constituted by a deed poll. The Warrants will rank pari passu in all respects among themselves. Each Warrant carries the right to subscribe for one Warrant Share at the Exercise Price and is issued at the Warrants Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of three years commencing from the date of issue of the Warrants. The Warrant Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares.

Upon full exercise of the subscription rights attaching to the Warrants, a total of 59,983,200 Warrant Shares, representing (i) 20.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares from the full exercise of the subscription rights attaching to the Warrants will be issued.

## **Conditions of the Warrants Subscription**

Completion shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions; and
- (2) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Warrant Shares.

If the conditions of the Warrants Subscription Agreement are not fulfilled on or before 30 September 2007 (or such later date as may be agreed between the Company and the Subscriber), the Warrants Subscription Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

## **Voting rights for the holders of the Warrants**

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

## REASONS FOR THE RIGHTS ISSUE AND THE WARRANTS SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment company under Chapter 21 of 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 PRC.

The CSTIND, NDRC and SOASAC jointly issued a policy direction of Circular No. 546 recently, concerning the reform and restructuring of the state-owned enterprises in the national defense and related industry in the PRC for the purpose of enhancing the operating efficiency and financial performance of these state-owned enterprises as well as to encourage qualified foreign investors to participate in their reform and restructuring. The Directors considered such policy direction will provide the Company with a good investment opportunity to participate in the reform and restructuring of these state-owned enterprises in the national defense and related industry in the PRC. The Directors are also positive about the prospects of the financial industry in the PRC. The Company intends to use net proceeds of approximately HK\$117 million (assuming no exercise of the Subscription Rights attaching to the Outstanding Options on or before the Record Date) and approximately HK\$150 million (assuming the subscription rights attaching to the Outstanding Options are exercised in full on or before the Record Date), together with the proceeds from the Warrants Subscription of approximately HK\$20 million principally for such purposes. However, as at the date of this announcement, the Directors confirm that the Company has not identified any specific investment targets.

## FUND RAISING ACTIVITIES OF THE GROUP FOR THE PAST TWELVE MONTHS

The following table summaries the fund raising activities of the Group for the 12 months immediately preceding the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
23 August 2006	Rights Issue	Approximately HK\$3.6 million	Investment	HK\$3.6 million has been retained for future investment purpose ( <i>Note 1</i> )

*Note 1:* As the Company has not identified any appropriate investment since the above fund-raising activity, the net proceeds from the aforesaid rights issue has been placed in an interest-bearing account for future investment purpose.

## CHANGES IN THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the completion of the Rights Issue:

Assuming no subscription rights attaching to the Outstanding Options and the Warrants are exercised on or before the Record Date:

	As at the date of this announcement		Immediately after the completion of the Rights Issue assuming that all Qualifying Shareholders have taken up their entitlement in full		Immediately after the completion of the Rights Issue assuming that none of the Qualifying Shareholders have taken up their entitlements except Mr. Xiang	
	Share	%	Share	%	Share	%
Directors:						
– Mr. Xiang ( <i>Note 1</i> )	87,600,000	29.20	963,600,000	29.20	379,260,000	11.49
– Mr. Lin ( <i>Note 2</i> )	78,000,000	26.00	78,000,000	2.36	78,000,000	2.36
	<u>165,600,000</u>	<u>55.20</u>	<u>1,041,600,000</u>	<u>31.56</u>	<u>457,260,000</u>	<u>13.85</u>
Public Shareholders:						
Underwriter/ Sub-underwriters	–	–	780,000,000	23.64	2,708,460,000	82.07
Other Public Shareholders	134,412,000	44.80	1,478,532,000	44.80	134,412,000	4.08
	<u>300,012,000</u>	<u>100.00</u>	<u>3,300,132,000</u>	<u>100.00</u>	<u>3,300,132,000</u>	<u>100.00</u>

*Note 1:* Mr. Xiang has undertaken to the Underwriter that he will and will procure to subscribe for not less than 291,660,000 Right Shares.

*Note 2:* Mr. Lin has undertaken to the Underwriter and the Company that he will not and will not procure to exercise the subscription rights attaching to the 78,000,000 Shares owned by him as at the date of this announcement.

Assuming all subscription rights attaching to the Outstanding Options and the Warrants are exercised on or before the Record Date:

	As at the date of this announcement		Immediately after the exercise of the Outstanding Options but before the Warrants and Rights Issue		Immediately after the exercise of the Outstanding Options and the Warrants but before the Rights Issue		Immediately after the exercise of the Outstanding Options, the Warrants and completion of the Rights Issue assuming that all Qualifying Shareholders have taken up his/her/its entitlement in full		Immediately after the exercise of the Outstanding Options, the Warrants, and completion of the Rights Issue assuming that none of the Qualifying Shareholders have taken up his/her/its entitlements except Mr. Xiang	
	Shares	%	Shares	%	Shares	%	Shares	%	Share	%
Directors:										
- Mr. Xiang (Note 1)	87,600,000	29.20	88,560,000	27.34	88,560,000	23.06	974,160,000	23.07	380,220,000	9.00
- Mr. Lin (Note 2)	78,000,000	26.00	78,000,000	24.08	78,000,000	20.32	78,000,000	1.85	78,000,000	1.85
- Mr. Wang Xin, David	-	-	480,000	0.15	480,000	0.13	5,280,000	0.13	480,000	0.01
- Mr. Ng Kwong Chue, Paul	-	-	1,200,000	0.37	1,200,000	0.31	13,200,000	0.31	1,200,000	0.03
	<u>165,600,000</u>	<u>55.20</u>	<u>168,240,000</u>	<u>51.94</u>	<u>168,240,000</u>	<u>43.82</u>	<u>1,070,640,000</u>	<u>25.36</u>	<u>459,900,000</u>	<u>10.89</u>
Public Shareholders:										
Subscriber (Note 3)	-	-	-	-	59,983,200	15.63	659,815,200	15.62	659,815,200	15.61
Underwriter/Sub-underwriters	-	-	-	-	-	-	780,000,000	18.47	2,947,500,000	69.80
Other Public Shareholders	134,412,000	44.80	155,676,000	48.06	155,676,000	40.55	1,712,436,000	40.55	155,676,000	3.70
	<u>300,012,000</u>	<u>100.00</u>	<u>323,916,000</u>	<u>100.00</u>	<u>383,899,200</u>	<u>100.00</u>	<u>4,222,891,200</u>	<u>100.00</u>	<u>4,222,891,200</u>	<u>100.00</u>

*Note 1:* Mr. Xiang has undertaken to the Underwriter that he will and will procure to subscribe for not less than 291,660,000 Right Shares.

*Note 2:* Mr. Lin has undertaken to the Underwriter and the Company that he will not and will not procure to exercise the subscription rights attaching to the 78,000,000 Shares owned by him as at the date of this announcement.

*Note 3:* The Subscriber has unconditionally undertaken that, if the Company has proposed/announced to issue new Shares by way of rights issue within the first three months from the date of the Warrants Subscription Agreement, the Subscriber will and will procure to exercise the subscription rights attaching to the Warrants Shares owned by her on or before the Record Date to the extent that the Warrants are exercised.

Shareholders and public investors should note that the shareholding changes shown in the above two tables are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue. The Underwriter has made sub-underwriting arrangement with certain sub-underwriters which are Independent Third Parties such that none of the Underwriter and the sub-underwriters will be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Shares.

For purpose of maintaining the minimum 25% public float upon completion of the Rights Issue, the Underwriter/sub-underwriters have confirmed to the Company that, immediately on the date of the EGM, depending on the then circumstances, they will take appropriate steps including but not limited to appointment of a placing agents to facilitate the placing down of Shares immediately upon completion of the Rights Issue in order to enable the Company to maintain the minimum 25% public float.

### **PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY**

The Board also proposed to increase its authorised share capital from HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each as at the date of this announcement, to HK\$50,000,000, divided into 5,000,000,000 Shares of HK\$0.01 each, so as to provide flexibility to the Company to facilitate the Rights Issue and the Warrants Subscription.

The proposed increase in the authorised share capital of the Company is subject to the approval of the Shareholders by ordinary resolutions at the EGM by way of a poll.

### **PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

The Board also proposed to amend Article 98(5) of the Articles of the Association for purpose of complying with the revised Appendix 3 to the Listing Rules that came into effect on 1 March 2006. Details of the amendments will be included in the circular to be despatched to the Shareholders.

The proposed amendments to the Articles of Association is subject to a special resolution at the EGM to be approved by the Shareholders by way of a poll.

### **LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital and the market capitalisation of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules the relevant resolutions regarding the Rights Issue must be made conditional upon approval by the Shareholders by way of a poll at the EGM and any controlling Shareholders and their associates shall abstain from voting in favour of the relevant resolutions. Since there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined under the Listing Rules) will abstain from voting in favour of the relevant resolutions relating to the Right Issue. Accordingly, each of Mr. Xiang, Mr. Chan Cheong Yee, Mr. Kwok Chi Hung, Mr. Ng Tin Sang and Mr. Lin, being the executive Directors, and Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul, being the non-executive Directors, and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue if any of them has remained as a Director and/or senior management of the Company and holds Shares as at the date of the EGM. Save for Mr. Xiang and Mr. Lin who hold 87,600,000 and 78,000,000 Shares respectively (representing approximately 29.2% and 26.0% of the issued share capital of the Company respectively), no other Directors are interested in any Shares as at the date of this announcement.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An independent board committee comprising all the independent non-executive Directors will be formed to make recommendations to the Independent Shareholders in relation to the Rights Issue and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in relation to the Rights Issue.

## GENERAL

A circular containing, among other things, details of the (i) Rights Issue; (ii) the proposed increase in authorised share capital of the Company; (iii) the proposed amendments to the Articles of Association; (iv) the letter from the independent board committee; (v) the letter from the independent financial adviser to the independent board committee and the Independent Shareholders and (vi) the notice convening the EGM will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks generally are open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CSTIND”	Commission of Science Technology and Industry for National Defense of the PRC 中華人民共和國國防科學技術工業委員會
“Company”	Sino Technology Investments Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company from time to time
“EAF(s)”	the form(s) of application of excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, among other matters, the Rights Issue, the increase in the authorised share capital of the Company and the amendments to the Articles of Association
“Exercise Price”	an initial exercise price of HK\$0.33 per Warrants Share (subject to adjustment) at which holder(s) of the Warrants may subscribe for the Warrants Shares
“General Mandate”	the general mandate to authorise the Directors to allot and issue up to 59,983,200 Shares pursuant to the resolution held at the annual general meeting of the Company held on 25 May 2007
“Group”	the Company and its subsidiaries from time to time

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders except those who are Directors and/or senior management and hold Shares as at the date of the EGM
“Independent Third Party(ies)”	person(s) which is/are third party(ies) independent of the Company and its connected person(s) as defined under the Listing Rules
“Last Trading Date”	16 August 2007, being the last trading day of the Shares on which the Warrants Subscription Agreement and the Underwriting Agreement are entered into
“Latest Acceptance Time”	expected to be 4:00 p.m. on 26 November 2007 or such later time as may be agreed between the Underwriter and the Company, being the latest time for acceptance of the offer of Rights Shares
“Latest Time for Termination”	expected to be 4:00 p.m. 31 October 2007, being the second Business Day after the Latest Acceptance Time, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. Lin Zhiqun Brett, an executive Director and a Shareholder
“Mr. Xiang”	Mr. Xiang Xin, an executive Director and a Shareholder
“NDRC”	National Development and Reform Commission of the PRC 中華人民共和國國家發展和改革委員會
“Non-qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors consider it is necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account of either restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that jurisdictions
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 23,904,000 Shares pursuant to the Share Option Scheme, which are outstanding as at the date of this announcement
“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue

“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be despatched by the Company in relation to the Rights Issue
“Prospectus Posting Date”	expected to be 11 October 2007 or such other date as may be agreed between the Underwriter and the Company
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	expected to be 9 October 2007 or such other date as may be agreed between the Underwriter and the Company
“Registrar”	Union Registrars Limited, the branch share registrar of the Company
“Rights Issue”	the proposed issue of the Rights Shares by the Company on the basis of 10 Rights Share for every one Share held by the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
“Rights Issue Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Rights Share(s)”	not less than 3,000,120,000 new Shares and not more than 3,838,992,000 new Shares to be issued by the Company pursuant to the Rights Issue
“Share(s)”	the ordinary shares with par value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 18 July 2002
“Shareholder(s)”	holder(s) of the Share(s)
“SOASAC”	國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council of the PRC)*
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	the subscriber of the Warrants, being Ms. Leung Rui Ling Florence
“Subscription Price”	the subscription price of HK\$0.04 per Rights Share
“Underwriter/Eternal Pearl Securities”	Eternal Pearl Securities Limited, an Independent Third Party



“Underwriting Agreement”	the underwriting agreement dated 16 August 2007 entered into between the Underwriter and the Company in relation to the Rights Issue
“Underwritten Shares”	3,000,012,000 Rights Shares (assuming no Outstanding Options and the Warrants are exercised on or before the Record Date) and 3,239,160,000 Rights Shares (assuming all Outstanding Options and the Warrants are exercised in full on or before the Record Date), being all Rights Shares less such number of Rights Shares agreed to be taken up or procured to be taken up by the Underwriter in respect of its pro rata entitlement as a Qualifying Shareholder
“Warrants”	the 59,983,200 unlisted warrants to be issued by Company pursuant to the Warrants Subscription Agreement
“Warrants Issue Price”	HK\$0.01
“Warrants Subscription”	the subscription of the Warrants by the Company pursuant to the Warrants Subscription Agreement
“Warrants Subscription Agreement”	the warrants subscription agreement dated 16 August 2007 entered into between the Company and the Subscriber in relation to the Warrants Subscription
“Warrants Share(s)”	the maximum 59,983,200 new Shares to be issued by the Company upon full exercise of the Warrants pursuant to the Warrants Subscription Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**SINO TECHNOLOGY INVESTMENTS  
COMPANY LIMITED**  
**Xiang Xin**  
*Director*

Hong Kong, 16 August 2007

*As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee, Mr. Kwok Chi Hung, Mr. Ng Tin Sang and Mr. Lin Zhiqun Brett; the Non-executive Directors are Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul; the Independent Non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.*

\* *the English translation of Chinese names or words in this announcement, where indicated, are included for information purpose, and should not be regarded as the official English translation of such Chinese names or word.*