

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the actions to be taken, you should consult your licensed securities dealer or other registered institutions in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sino Technology Investments Company Limited (the "Company"), you should at once hand this Prospectus and the accompanying PAL (as defined herein) and the EAF (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Rights Issue Documents (as defined herein), together with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

Dealings in the Shares and the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through the CCASS (as defined herein) operated by Hong Kong Securities Clearing Company Limited ("HKSCC") and you should consult your licensed securities dealer or other registered institutions in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

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 of Hong Kong Limited (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 respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1217)

RIGHTS ISSUE OF 3,633,552,000 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) AND CHANGE IN BOARD LOT SIZE

Financial adviser to the Rights Issue

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 latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 26 October 2007. The procedure for acceptance and payment or transfer is set out on pages 27 to 29 of this Prospectus.

It should be noted that pursuant to the Underwriting Agreement (as defined herein), the Underwriter (as defined herein) 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 Wednesday, 31 October 2007 following the Latest Acceptance Time upon due consultation with the Company. Force majeure includes the following:

- 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
- 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 of the same kind ("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
- any material adverse change in the business or in the financial or trading position or prospect of the Group as a whole; or
- 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
- 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
- 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. For further details, please refer to the section headed "Termination of the Underwriting Agreement" as set out on page 20 to page 21 of this Prospectus.

The Shares (as defined herein) will be dealt in on an ex-rights basis from Wednesday, 3 October 2007. Dealing in the Rights Shares in the nil-paid form will take place from Monday, 15 October 2007 to Tuesday, 23 October 2007 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or, in respect of conditions that are waivable, waived (as the case may be), on or before Wednesday, 31 October 2007 (or such later time and/or date as the Underwriter and the Company may agree in writing), or the Underwriting Agreement is terminated, the Rights Issue will not proceed and the Rights Issue will lapse.

Any person contemplating buying or selling the Shares from the date of this Prospectus up to the date on which all the conditions of the Rights Issue are fulfilled (which is expected to be on Wednesday, 31 October 2007), and any dealings in the Rights Shares in their nil-paid form between Monday, 15 October 2007 to Tuesday, 23 October 2007 (both dates inclusive), shall bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholder or other persons contemplating dealings in the Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

11 October 2007

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EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue set out below is indicative only. Any consequential changes to the expected timetable will be published by way of public announcement.

2007

Despatch of Rights Issue Documents	Thursday, 11 October
First day of dealings in nil-paid Rights Shares	Monday, 15 October
Latest time for splitting of nil-paid Rights Shares ...	4:00 p.m. on Wednesday, 17 October
Last day of dealings in nil-paid Rights Shares	Tuesday, 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 Friday, 26 October
Effective date of the change in board lot size from 8,000 Shares to 32,000 Shares	Wednesday, 31 October
First day for free exchange of existing share certificates in board lot size of 8,000 Shares for new Share certificate in board lots of 32,000 Shares	Wednesday, 31 October
First day of odd lot facility of the change in board lot size from 8,000 Shares to 32,000 Shares	Wednesday, 31 October
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 31 October
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 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 (http://www.1217.com.hk/notice.asp) and the Stock Exchange	by 11:00 p.m. on Friday, 2 November
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	Monday, 5 November

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

Despatch of certificates for fully-paid Rights Shares on or before . . . Monday, 5 November

Commencement of dealings in fully-paid Rights Shares Wednesday, 7 November

Last day of odd lot facility of the change in board lot size

from 8,000 Shares to 32,000 Shares Tuesday, 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 Tuesday, 27 November

Notes:

1. All times in this Prospectus refer to Hong Kong time.
2. The latest time for acceptance of and payment for Rights Shares will not take place if there is:
 - a tropical cyclone warning signal number 8 or above; or
 - a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the last acceptance date as stated above. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the last acceptance date as stated above. Instead, the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day on which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Latest Acceptance Time, the dates mentioned in this section may be affected. A press announcement will be made by the Company in such event.

DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 16 August 2007 in relation to the Rights Issue
“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
“Circular”	the circular issued by the Company in relation to the Rights Issue on 17 September 2007
“CSTIND”	中華人民共和國國防科學技術工業委員會(Commission of Science Technology and Industry for National Defense of the PRC) *
“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 held on Tuesday, 9 October 2007 for the purpose of considering, among other matters, the Rights Issue, the increase in the authorised share capital of the Company, the amendments to the Articles of Association and the refreshment of Scheme Mandate Limit

DEFINITIONS

“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
“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 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 were entered into
“Latest Acceptance Time”	expected to be 4:00 p.m. on Friday, 26 October 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 Practicable Date”	8 October 2007, being the latest practicable date prior to printing of this Prospectus for purpose of ascertaining certain information contained herein
“Latest Time for Termination”	4:00 p.m. Wednesday, 31 October 2007, 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, a former executive Director and a current Shareholder
“Mr. Xiang”	Mr. Xiang Xin, an executive Director and a Shareholder
“NDRC”	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC) *

DEFINITIONS

“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
“Options”	options (other than the Outstanding Options) to be granted by the Company to subscribe for Shares in accordance with the Share Option Scheme
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 20,544,000 Shares pursuant to the Share Option Scheme, which are outstanding as at the Latest Practicable Date
“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 Prospectus shall exclude Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Prospectus”	this prospectus issued by the Company in relation to the Rights Issue
“Prospectus Posting Date”	Thursday, 11 October 2007
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 9 October 2007
“Registrar”	Union Registrars Limited, the branch share registrar of the Company
“Rights Issue”	the issue of the Rights Shares by the Company on the basis of 10 Rights Share for every 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 Rights Issue

DEFINITIONS

“Rights Issue Documents”	this Prospectus, the PAL and EAF
“Rights Share(s)”	3,633,552,000 new Shares to be issued by the Company pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Mr. Lu Kemin, an Independent Third Party as a result of the transfer of the Warrants by Ms. Leung Rui Ling, Florence, being the initial subscriber of the Warrants
“Subscription Price”	HK\$0.04 per Rights Share payable in full upon acceptance
“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
“Warrants”	the 59,983,200 unlisted warrants issued by Company pursuant to the Warrants Subscription Agreement
“Warrants Issue Price”	HK\$0.01 per Warrants Share

DEFINITIONS

“Warrants Share(s)”	the 59,983,200 new Shares issued by the Company upon full exercise of the Warrants by the Subscriber pursuant to the Warrants Subscription Agreement on 19 September 2007
“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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

All amounts in RMB have been translated in HK\$ at a rate of HK\$1.03 = RMB 1 in this Prospectus for illustration only.

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

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Basis of Rights Issue:	ten Rights Shares for every Share held on the Record Date
Subscription Price:	HK\$0.04 per Rights Share payable in full upon acceptance
Number of Shares in issue as at the Record Date:	363,355,200 Shares
Number of Rights Shares to be issued:	3,633,552,000 Rights Shares
Right of excess application:	Qualifying Shareholders may apply, by way of excess applications, any unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders
Net proceeds to be raised:	approximately HK\$141 million

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 Wednesday, 31 October 2007 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 of the same kind (“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 prospect 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.

TERMINATION OF THE UNDERWRITING AGREEMENT

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.

The Shares have been dealt in on an ex-rights basis from Wednesday, 3 October 2007. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 15 October 2007 to Tuesday, 23 October 2007 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled on or before 4:00 p.m. on Wednesday, 31 October 2007 (or such other time or dates as may be agreed between the Underwriter and the Company), or the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

Any Shareholder or other person who deals in the Shares during the period from the date of this Prospectus and up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Wednesday, 31 October 2007), and any dealings in the Rights Shares in the nil-paid form from Monday, 15 October 2007 to Tuesday, 23 October 2007 (both dates inclusive) should bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholder or other person contemplating any dealings in the Shares or the Rights Shares in the nil-paid form who is in any doubt about his/her/its position is recommended to consult his/her/its professional adviser.

LETTER FROM THE BOARD



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1217)

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

Mr. David Wang Xin
Mr. Zang Hong Liang
Mr. Lee Wing Hang

Registered Office:

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

*Head office and principal place
of business in Hong Kong:*

Suites 2305–2307
23rd Floor
Two Chinachem Exchange Square
338 King's Road
Hong Kong

11 October 2007

*To the Qualifying Shareholders and for information purposes only,
the holders of the Options and the Non-qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF
3,633,552,000 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)
AND CHANGE IN BOARD LOT SIZE**

INTRODUCTION

The Directors announced on 16 August 2007 that the Company proposed to raise not less than approximately HK\$120 million and not more than approximately 153 million, before expenses, by allotting and issuing not less than 3,000,120,000 Rights Shares and not more than 3,838,992,000 Rights Shares to the Qualifying Shareholders by way of Rights Issue at a price of HK\$0.04 per Rights Share on the basis of ten Rights Shares for every Share held on the Record Date.

LETTER FROM THE BOARD

On the same date, the Board also announced that the Company entered into the Warrants Subscription Agreement with Ms. Leung Rui Ling, Florence in relation to a private subscription of 59,983,200 Warrants at the Warrants Issue Price of HK\$0.01 per Warrant. The Warrants entitle Ms. Leung Rui Ling, Florence to subscribe for the Warrants Shares at an initial Exercise Price of HK\$0.33 per Warrants Shares 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. As at the Latest Practicable Date, Ms. Leung Rui Ling, Florence had transferred the Warrants to the Subscriber and the Subscriber has exercised the subscription rights attaching to the Warrants in full and obtained 59,983,200 Shares.

The Circular, which contained details regarding among other things, (i) the Rights Issue, (ii) the recommendation of the independent board committee of the Company and the advice of the independent financial adviser in relation to the Rights Issue; and (iii) the increase in authorised share capital of the Company was despatched to the Shareholders on 17 September 2007. A copy of the Circular is available for inspection as such place and time as set out in the section headed "Documents available for inspection" in Appendix III to this Prospectus. Since the Rights Issue will increase the issued share capital 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 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 regarding the Rights Issue. As there were no controlling Shareholders at the date of the EGM, 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) as at the date of the Announcement was required to abstain from voting in favour of the resolution to approve the Rights Issue. Accordingly, each of Mr. Xiang, Mr. Chan Cheong Yee, Mr. Kwok Chi Hung and Mr. Ng Tin Sang, being the executive Directors, Mr. Lin, being the former Director and Mr. Wang Qing Yu (chairman of the Board) and Mr. Ng Kwong Chue Paul, being the non-executive Directors, and their respective associates will abstain from voting in favour of the resolution(s) to approve the Rights Issue if any of them has remained as a Director and/or chief executive of the Company and holds Shares as at the date of the EGM. As at the date of the EGM, only Mr. Xiang and Mr. Lin and their respective associates have controlled or are entitled to control 60,104,000 Shares and 77,696,000 Shares respectively (representing approximately 16.5% and 21.4% of the issued share capital of the Company respectively) were abstained from voting at the EGM for the resolution relating to the Rights Issue. No other Directors were interested in any Shares as at the date of the EGM. At the EGM convened and held on 9 October 2007, the ordinary resolution to approve the Rights Issue was duly passed by the Independent Shareholders.

The purpose of this Prospectus is to provide you with further details regarding the Rights Issue, including information on dealings in and transfers and acceptances of the Rights Shares and the arrangement in relation to the Company's change in board lot size as well as certain financial and other information in respect of the Company.

LETTER FROM THE BOARD

RIGHTS ISSUE

Issue statistics

Basis of Rights Issue:	10 Rights Share for every Share held on the Record Date
Subscription Price:	HK\$0.04 per Rights Share payable in full upon acceptance
Number of Shares in issue as at the Latest Practicable Date:	363,355,200 Shares
Number of Rights Shares to be issued:	3,633,552,000 Rights Shares
Underwriter:	Eternal Pearl Securities Ltd.

As at the Latest Practicable Date, save for the Outstanding Options granted under the Share Option Scheme and upon the full exercise of such Outstanding Options which 20,544,000 Shares will be allotted and issued, the Company has no other outstanding options, convertible securities or warrants which confer the right to subscribe for the Shares.

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 each of 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, being a substantial Shareholder (as defined under the Listing Rules) and a former Director, has undertaken to the Underwriter and the Company that he agrees to the Rights Issue and will not and/or will not procure to exercise the subscription rights attaching to the 77,696,000 Shares owned by him as at the Latest Practicable Date. 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. In addition, the Subscriber has also undertaken to the Company that he will and will procure to exercise the subscription rights attaching to the 59,983,200 Warrants Shares owned by him.

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;

LETTER FROM THE BOARD

- (ii) a discount of approximately 90.48% to the closing price of HK\$0.42 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (iii) 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;
- (iv) 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;
- (v) 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
- (vi) a discount of approximately 58.51% of the net asset value per Share of HK\$0.0964 as at 31 August 2007 (based on the latest published unaudited net assets of the Group published on the Stock Exchange's website).

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 before the Announcement; (iii) the discount 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 become effective on Wednesday, 31 October 2007 as detailed in this Prospectus. Dealing in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

LETTER FROM THE BOARD

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 purposes 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 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) 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 on the Record Date and (iii) not being a Non-qualifying Shareholder.

As at the Latest Practicable Date, 3,456,000 (of which 96,000 Options have been exercised during the period from 1 January to 11 September 2007) Options have been exercised since 31 December 2006, as such, the holders of the 3,456,000 Shares allotted pursuant to the exercise of the subscription rights of the Options entitled to participate in the Rights Issue.

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 Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Hong Kong for registration not later than 4:00 p.m. on Thursday, 4 October 2007.

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.

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue. The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong. According to the Company's register of members as at the Record Date, there are no Shareholders whose registered addresses shown in the register of members of the Company are outside Hong Kong.

Fractional entitlement to the Rights Shares

No fractional entitlements or allotments are expected to arise as a result of the Rights Issue.

LETTER FROM THE BOARD

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 Thursday, 4 October 2007. The expected latest time and date for acceptance of Rights Shares is expected to be at 4:00 p.m. on Friday, 26 October 2007, or such later date as may be agreed between the Underwriter and the Company.

Closure of register of members

The register of members of the Company were closed from (Friday to Tuesday), 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.

Share certificates and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders entitled thereto at their own risk on or before Monday, 5 November 2007. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Monday, 5 November 2007 by ordinary post to the applicants at their own risk.

CHANGE IN BOARD LOT SIZE

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.

LETTER FROM THE BOARD

Shareholders may submit their existing share certificates in existing board lot of 8,000 Shares each to the Registrar, at Rooms 1901–02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, 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 permitted under the Listing Rules) 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 Ltd 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 or other registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers if they are in any doubt about the facility described above.

Application for listing

The Shares are currently trading on the Stock Exchange only and in board lots of 8,000 Shares and will be changed to board lots of 32,000 Shares effective on Wednesday, 31 October 2007. 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 has applied 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. The Shares will not be listed or dealt in on any other stock exchange outside Hong Kong. Apart from the Shares and the Rights Shares, no part of the securities of the Company is listed or dealt in nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any other stock exchange.

LETTER FROM THE BOARD

Dealings in the nil-paid Rights Shares are expected to commence on Monday, 15 October 2007 to Tuesday, 23 October 2007. The latest time for splitting of nil-paid Rights Shares will be 4:00 p.m. on Wednesday, 17 October 2007.

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 respective commencement dates 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, SFC 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. Xiang, Mr. Lin 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 the chief executive 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 herein;
- (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 issue and allotment of the Rights Shares;

LETTER FROM THE BOARD

- (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 Monday, 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 the 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 Wednesday, 31 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). As the Rights Issue is subject to the above conditions, it may or may not proceed accordingly.

As at the Latest Practicable Date, conditions numbered (i) and (ii) have been fulfilled.

UNDERWRITING ARRANGEMENTS

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 3,000,120,000 Rights Shares and not more than 3,239,160,000 Rights Shares.

LETTER FROM THE BOARD

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 Wednesday, 31 October 2007 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 of the same kind (“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 prospect 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

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- (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.

ADJUSTMENT TO THE OUTSTANDING OPTIONS

As at the Latest Practicable Date, the Company has 20,544,000 Outstanding Options under the Share Option Scheme. The Rights Issue will cause adjustments to the subscription price and/or the number of Shares to be issued under the Outstanding Options. The Company will appoint its auditors to review and certify in writing the basis of such adjustments pursuant to the Share Option Scheme and that the adjustments are made on the basis that the proportion of the issued share capital to which a holder of the Outstanding Options is entitled after the adjustments remain the same as that before and are in accordance with the note to Rule 17.03(13) of the Listing Rules. The adjustments to the Outstanding Options shall be made pursuant to the Share Option Scheme and in compliance with the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005. The Company will publish a separate announcement regarding the adjustments to the Outstanding Options and inform the holders of the Outstanding Options of such adjustments accordingly by written notice to each of them as soon as practicable.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming that all Qualifying Shareholders have taken up their entitlement in full		Immediately after completion of the Rights Issue assuming that none of the Qualifying Shareholders have taken up their entitlements except Mr. Xiang and the Subscriber	
	Share	%	Share	%	Share	%
Mr. Xiang (Note 1)	60,104,000	16.54	661,144,000	16.54	351,764,000	8.80
Mr. Lin (Note 2)	77,696,000	21.38	77,696,000	1.94	77,696,000	1.94
Underwriter/Sub-underwriters/ Placees (Note 5)	-	-	776,960,000	19.44	2,742,060,000	68.60
Subscriber (and/or the placees) (Note 3, 4)	59,983,200	16.51	659,815,200	16.51	659,815,200	16.51
Other Public Shareholders	165,572,000	45.57	1,821,292,000	45.57	165,572,000	4.15
	<u>363,355,200</u>	<u>100.00</u>	<u>3,996,907,200</u>	<u>100.00</u>	<u>3,996,907,200</u>	<u>100.00</u>
Public Float	<u>165,572,000</u>	<u>45.57</u>	<u>1,821,292,000</u>	<u>45.57</u>	<u>1,553,083,200</u>	<u>38.86</u>
					(Note 5, 6)	

Notes:

1. Mr. Xiang has undertaken to the Underwriter and the Company that he will and will procure to subscribe for not less than 291,660,000 Right Shares.
2. As disclosed in the Announcement, Mr. Lin, being the former Director, has undertaken to the Underwriter and the Company that he will not and will not procure to exercise the subscription rights attaching to the 77,696,000 Shares owned by him.
3. The Subscriber has undertaken to the Company that the Subscriber will, if required, place out certain Warrant Shares to independent placees so as to ensure the minimum 25% public float of the Company can be maintained after the Rights Issue.
4. The Subscriber has undertaken that, he will and will procure to exercise the subscription rights attaching to the 59,983,200 Warrants Shares owned by him as at the Latest Practicable Date.

LETTER FROM THE BOARD

5. The Underwriter will enter into a placing agreement with China Everbright Securities (HK) Limited (“China Everbright”), the investment manager of the Company, to place out certain Rights Shares to independent placees. Depending on the number of Rights Shares available to the Underwriter upon completion of the Rights Issue, it is proposed that the said placing agreement will result in the placing of up to 650,000,000 Rights Shares to independent placees by China Everbright, representing approximately 16.3% of the enlarged issued share capital of the Company after completion of the Rights Issue.
6. the aggregate number of Shares to be held by Mr. Lin, the Subscriber (together with the independent placees of the Warrants Shares after the relevant placing, if any) and the existing other public Shareholders who hold 77,696,000 Shares, 659,815,200 Shares and 165,572,000 Shares respectively, as well as the proposed placing of the 650,000,000 Rights Shares by China Everbright to independent placees.

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 will make 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.

The Underwriter intends to maintain the minimum 25% public float upon completion of the Rights Issue. Under the arrangements under notes (3), (4) and (5) to the shareholding table of the Company above, the Directors are of the view that the minimum 25% of the public float upon completion of the Rights Issue can be maintained.

WARNING OF THE RISKS OF DEALING

The Shares have been dealt in on an ex-rights basis from Wednesday, 3 October 2007. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 15 October 2007 to Tuesday, 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 Wednesday, 31 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 Shareholder or other person dealings in the Shares during the period from the date of this Prospectus and up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Wednesday, 31 October 2007), and any dealings in the Rights Shares in the nil-paid form from Monday, 15 October 2007 to Tuesday, 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.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE 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 the PRC.

Traditionally, the national defense and related industries in the PRC are mainly operated by state-owned enterprises, and have resulted in lack of efficiency and effectiveness in the operations and management of these enterprises. In order to enhance the operating efficiency and financial performance of these state-owned enterprises in the national defense and related industries, the CSTIND, NDRC and SOASAC jointly issued a policy direction of Circular No. 546 ("Circular 546") in June 2007 to set out the basic framework concerning the reform and restructuring of these state-owned enterprises.

In general, enterprises involved in the core strategic national safety projects should be owned by the PRC government (the "Restricted Category"). Circular 546 has indicated that domestic investors are encouraged to participate in the share reform and restructuring of those state-owned enterprises engaged in the design and assembling of certain weapon as well as the production of certain national defense related parts (the "Limited Category"), provided that the PRC government's equity interest in these enterprises are over 51%. Except for the Restricted Category and the the Limited Category, Circular 546 generally encourages qualified foreign investors to participate in the share restructuring of other national defense related enterprises (particularly, those engaged in the commercialisation and development of technology used in military for commercial and civil application) as well as the future financing of these enterprises in the domestic and foreign capital market for purpose of enhancing their capital structure.

According to the China Statistical Yearbook 2006, the PRC's annual expenditure in national defense has increased substantially over the past 10 years from RMB63.7 billion (equivalent to approximately HK\$65.6 billion) in 1995 to RMB247.5 billion (equivalent to approximately HK\$254.9 billion) in 2005, representing a compounded annual growth rate of approximately 14.5%. Similar to the many state-owned enterprises of the PRC listed on the Stock Exchange, the share restructuring of the state-owned enterprises engaged in national defense and related industries will result in the introduction of foreign investors to become shareholders to strengthen their shareholding and capital structures, whilst at the same time, the relevant PRC government will remain as the major shareholder with control over these enterprises. The Directors have confirmed that the Company intends to use the proceeds to invest, as a minority shareholder, and participate, as a financial investor, in the state-owned enterprises engaged in national defense and related industries (particularly, those engaged in the commercialisation and development of technologies used in military for commercial and civil applications) at the early stage of their share restructuring. Having considered the significant investment by the PRC government in the national defense and related industries in the past years, the opening of the PRC's national defense and related industries in the PRC as promulgated by Circular 546, the Directors consider that the Company will be able to enjoy its return and realize its investment in these enterprises by way of, including, but not limited to, dividend distribution and capital appreciation through initial public offering and trade-sale.

LETTER FROM THE BOARD

Furthermore, in view of the recent significant growth in the investment and financial industries in the PRC, the Directors are also positive about the prospect of the financial industry in the PRC. As such, the Company intends to use net proceeds of approximately HK\$141 million principally for such purposes and the Directors consider that the Rights Issue and the proposed use of the proceeds are in the interest of the Company and the Shareholders as a whole.

The Directors consider that the relaxation in investment in the PRC's national defense and related industries to foreign investors as promulgated by Circular 546 will result in the opening of an investment area which has been previously dominated by the PRC government for the Company and other foreign investors. However, the Directors also consider that the Company's future investment in the PRC's national defense and related business will be subject to a number of risks, including the potential future changes in the relevant government policy and regulations in relation to foreign investment in the national defense and related business, the future development of the national defense and related industries, the overall industries environment (such as competition with other foreign enterprises engaged in similar business) as well as the future technologies development in the PRC.

As at the Latest Practicable Date, the Directors had neither (i) specified the investment scope of the Company in relation to its future investment in the PRC's national defenses related industries nor (ii) identified any specific investment target yet.

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 the Announcement:

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

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.

LETTER FROM THE BOARD

FINANCIAL AND BUSINESS PROSPECTS

Financial review

For the year ended 31 December 2006, the Company recorded a turnover of approximately HK\$0.43 million and a loss before taxation of approximately HK\$1.19 million. For the six months ended 30 June 2007, the Company recorded a turnover of approximately HK\$0.41 million and a loss before taxation of approximately HK\$0.36 million.

Business review

During the year ended 31 December 2006 and six months ended 30 June 2007, 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 issued by King Tiger Technology Company Limited (“King Tiger”) in its investment portfolio. The Company’s investment in Jian Lugu, SNG and King Tiger represented its entire investment portfolio during the year ended 31 December 2006 and the six months ended 30 June 2007.

Jinan LuGu is incorporated in Hong Kong and principally engaged in investment holding. As at 31 December 2006 and 30 June 2007, it indirectly held 59.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 陶瓷微電路基板 (Ceramic Microcircuit Substrates), 微電路模塊 (Microcircuit Modules), 陶瓷電子元(組)件 (Ceramic Electronic Apparatus Parts (Discreteness)). The Company holds 250 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu. The Company did not receive any dividend from this investment during the financial year ended 31 December 2006 and the six months ended 30 June 2007.

SNG is incorporated in Hong Kong and principally engaged in investment holding. As at 31 December 2006 and 30 June 2007, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片 (LED Chips). The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. The Company did not receive any dividend from SNG during financial year ended 31 December 2006 and the six months ended 30 June 2007.

King Tiger is incorporated in Taiwan and principally engaged in investment holding. It indirectly holds 49% interest in 安徽精通科技有限公司 (AnHui JingTong Science & Technology Co. Ltd.) (“AnHui JingTong”). AnHui JingTong is registered in the PRC as foreign investment enterprises by equity joint venture and principally engaged in the manufacturing of solder ball by the Ball Grid Array technology. The Company holds a convertible loan note issued by King Tiger with face value of USD1,144,000 matured on 15 January 2006 with an interest rate of 6.5% per annum. Upon maturity of the convertible loan note, the Company has the right to convert the outstanding principal amount of the loan note together with the accrued interest, if any, into shares, directly or indirectly, in

LETTER FROM THE BOARD

AnHui JingTong. King Tiger had defaulted on the payment of interest since 31 December 2003. Further, the Company was informed by King Tiger that there were certain disputes between the shareholders of AnHui JingTong which hindered the conversion of the shareholding to King Tiger or to the Company directly. In light of the above, for the sake of prudence, impairment loss for the full investment cost had been recognised during the year ended 31 December 2005.

As at the Latest Practicable Date, the Company continued to hold the abovementioned investments in its investment portfolio. The Board is of the view that the business operations and the performance of such investments excluding the investment in the unlisted convertible loan note issued by King Tiger will grow with the economy in the PRC in the foreseeable future.

Prospects

The Board is currently adopting a cautious and prudent approach in its investment selection process. Looking forward, due to the continuous improvement in the general economies in Hong Kong and the PRC, the Company will continue to explore new investment opportunities in Hong Kong and the PRC. It is expected that investment involving in the share reform and restructuring of those major enterprises engaged in national defense and related business 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 Latest Practicable Date, the Company will continue to seek for such investment opportunity. With the strengthened financial position after completion of the Rights Issue, the Company will have more flexibility in the implementation of its investment strategy.

PROCEDURE FOR ACCEPTANCE AND PAYMENT OR TRANSFER

The PAL which entitles a Qualifying Shareholder to take up the number of the Rights Shares shown therein is enclosed with this Prospectus. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, the Qualifying Shareholder must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Union Registrars Limited, at Rooms 1901 – 02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for completion of the relevant registration no later than 4:00 p.m. on Friday, 26 October 2007. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". No receipt will be given for such remittance.

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar, Union Registrars Limited, at Rooms 1901–02, Fook Lee Commercial Centre, Town Place, Lockhart Road, Wanchai, Hong Kong for completion

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of the relevant registration by 4:00 p.m. on Friday, 26 October 2007, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The PAL contains full information regarding the procedures to be followed. If a Qualifying Shareholder wishes to accept only part of the provisional allotment or if a Qualifying Shareholder wishes to transfer all or part of his/her/its provisional allotment to more than one person, the PAL must be surrendered by no later than 4:00 p.m. on Wednesday, 17 October 2007 to the Registrar which will cancel the original PAL and issue a new PAL in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment of the Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises its rights to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on Wednesday, 31 October 2007 or if any of the conditions precedent to the Rights Issue (as set out in the section headed "Conditions of the Rights Issue" above) is not fulfilled, the Rights Issue will not proceed and the monies received in respect of the relevant provisional allotment of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicants whose name first appears on the register of members or the transfer form at their own risk on or before Monday, 5 November 2007.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold fractions of the 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 on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots. 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 top-up of odd lots for allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually. Shareholders are advised to consider whether they would like to arrange for the registration of the

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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.

The latest time and date for application in respect of the excess Rights Shares is 4:00 p.m. on Friday, 26 October 2007, or such other date as may be agreed between the Underwriter and the Company .

All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on account with, or cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". The Registrar will notify you of any allotment of excess Rights Shares made to you, the allotment of which will be allocated on a fair and equitable basis to be decided at the sole discretion of the Directors by reference to the number of excess Rights Shares applied for by each Qualifying Shareholder, but the Directors will give preference to topping-up odd lots to whole board lots.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any EAF in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected and cancelled.

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded in full, without interest on or before Monday, 5 November 2007. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded on or before Monday, 5 November 2007.

If the Underwriter exercises its rights to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on Wednesday, 31 October 2007, or if any of the conditions to the Rights Issue (as set out in the section headed "Conditions of the Rights Issue" above) is not fulfilled, the Rights Issue will not proceed and the monies received in respect of the relevant applications for excess Rights Shares will be refunded in full without interest, to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post at their own risk on or before Monday, 5 November 2007.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if he/she/it is in any doubt as to the taxation implications of holding, disposing or dealing in the Right Shares in both their nil-paid and/or fully-paid forms. It is emphasized that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding, disposal of, or dealing in the Rights Shares in both their nil-paid and/or fully-paid forms.

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GENERAL

All documents, including cheques or cashier's orders for cash entitlement, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

Yours faithfully,
By order of the Board
Xiang Xin
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the results and financial position of the Company for each of the three years ended 31 December 2006 as extracted from the annual reports of the Company for the respective years. The auditors' reports as set out in the annual reports of the Company for each of the three years ended 31 December 2006 were unqualified.

RESULTS

	Year ended 31 December		
	2004 HK\$ (Restated)	2005 HK\$	2006 HK\$
Turnover	1,176,294	7,474,554	428,041
Impairment loss recognised in respect of investment in securities	(8,500,000)	–	–
Impairment loss recognised in respect of interest receivables	(299,829)	(1,714,777)	–
Impairment loss recognised in respect of available-for-sale investments	–	(13,428,045)	–
Investment manager's fee	(120,756)	(106,428)	(68,639)
Directors' emoluments	(59,558)	(45,957)	(53,096)
Other operating expenses	(1,275,082)	(1,691,010)	(1,493,489)
Loss before taxation	(9,078,931)	(9,511,663)	(1,187,183)
Taxation	–	–	–
Loss attributable to the shareholders	<u>(9,078,931)</u>	<u>(9,511,663)</u>	<u>(1,187,183)</u>
Basic loss per share	<u>(4.54) cents</u>	<u>(4.76) cents</u>	<u>(0.53) cents</u>

FINANCIAL POSITION

	Year ended 31 December		
	2004 HK\$	2005 HK\$	2006 HK\$
Total assets	36,656,073	27,175,992	29,562,554
Total liabilities	<u>(122,958)</u>	<u>(154,540)</u>	<u>(434,577)</u>
	<u>36,533,115</u>	<u>27,021,452</u>	<u>29,127,977</u>

Notes: To conform with the presentation of year 2005, turnover for the year ended 31 December 2004 has been restated to include all bank interest income, realised and unrealised gain on other investment, which had been included in other revenues in the annual report of 2004. Other than the classification of turnover and other revenues, there was no restatement in the above figures. Details of the restatement of turnover were set out in note 5 to the audited financial statements for the year ended 31 December 2005.

2. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 DECEMBER 2006

The following is the audited income statements of the Company for the two financial years ended 31 December 2006, the audited balance sheets of the Company as at 31 December 2005 and 31 December 2006, the audited statement of changes in equity of the Company and the audited cash flow statements of the Company for the two years ended 31 December 2006, together with accompanying notes to the accounts extracted from the annual report of the Company for the year ended 31 December 2006.

INCOME STATEMENT

For the year ended 31 December 2006

	<i>Note</i>	2006 HK\$	2005 HK\$
Turnover	5	428,041	7,474,554
Impairment loss recognised in respect of interest receivables		–	(1,714,777)
Impairment loss recognised in respect of available-for-sale investments		–	(13,428,045)
Investment manager's fee		(68,639)	(106,428)
Directors' emoluments	10	(53,096)	(45,957)
Other operating expenses	6	(1,493,489)	(1,691,010)
Loss before taxation		(1,187,183)	(9,511,663)
Taxation	7	–	–
Loss attributable to shareholders		<u>(1,187,183)</u>	<u>(9,511,663)</u>
Basic loss per share	9	<u>(0.53) cents</u>	<u>(4.76) cents</u>

BALANCE SHEET*As at 31 December 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Non-current assets			
Available-for-sale investments	<i>11</i>	13,500,225	13,500,225
Current assets			
Deposits and prepayment		344,227	325,411
Financial assets at fair value through profit or loss	<i>12</i>	–	218,200
Cash and cash equivalents	<i>13</i>	15,718,102	13,132,156
		<u>16,062,329</u>	<u>13,675,767</u>
Current liabilities			
Accruals		434,577	154,540
Net current assets		<u>15,627,752</u>	<u>13,521,227</u>
Total assets less current liabilities		<u><u>29,127,977</u></u>	<u><u>27,021,452</u></u>
Capital and reserves			
Share capital	<i>14</i>	2,999,160	1,999,440
Reserves		26,128,817	25,022,012
Total equity attributable to equity shareholders of the Company		<u><u>29,127,977</u></u>	<u><u>27,021,452</u></u>
Net asset value per share	<i>16</i>	<u><u>HK\$0.10</u></u>	<u><u>HK\$0.14</u></u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Share capital HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 January 2005	1,999,440	44,420,105	(9,886,430)	36,533,115
Loss for the year and total recognised income and expense	—	—	(9,511,663)	(9,511,663)
Balance at 31 December 2005 and at 1 January 2006	1,999,440	44,420,105	(19,398,093)	27,021,452
Loss for the year and total recognised income and expense	—	—	(1,187,183)	(1,187,183)
Issue of rights shares	999,720	2,999,160	—	3,998,880
Rights shares issuing expense	—	(705,172)	—	(705,172)
Balance at 31 December 2006	<u>2,999,160</u>	<u>46,714,093</u>	<u>(20,585,276)</u>	<u>29,127,977</u>

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution. Dividend may also be declared out of share premium account of the Company. As at 31 December 2006, the Company's reserve available for distribution amounted to approximately HK\$26,128,000 (2005: approximately HK\$25,022,000).

CASH FLOW STATEMENT*For the year ended 31 December 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Cash flows from operating activities			
Loss before taxation		(1,187,183)	(9,511,663)
Adjustments for:			
Impairment loss recognised in respect of interest receivables		–	1,714,777
Impairment loss recognised in respect of available-for-sale investments		–	13,428,045
Change in fair value of financial assets at fair value through profit or loss		–	85,400
		<hr/>	<hr/>
Operating (loss)/profit before working capital changes		(1,187,183)	5,716,559
Increase in interest receivables		–	(577,980)
Decrease in other receivables		–	1,564,409
Increase in deposits and prepayment		(18,816)	(41,579)
Increase in accruals		280,037	31,582
		<hr/>	<hr/>
Net cash (used in)/from operating activities		(925,962)	6,692,991
		<hr/>	<hr/>
Cash flows from investing activities			
Net addition of financial assets at fair value through profit or loss		–	(303,825)
Net decrease in financial assets at fair value through profit or loss		218,200	–
		<hr/>	<hr/>
Net cash from/(used in) investing activities		218,200	(303,825)
		<hr/>	<hr/>
Cash flows from financing activities			
Issue of rights shares		3,998,880	–
Shares issuing expenses		(705,172)	–
		<hr/>	<hr/>
Net cash from financing activities		3,293,708	–
		<hr/>	<hr/>
Net increase in cash and cash equivalents		2,585,946	6,389,166
Cash and cash equivalents at beginning of year		13,132,156	6,742,990
		<hr/>	<hr/>
Cash and cash equivalents at end of year	13	<u>15,718,102</u>	<u>13,132,156</u>

NOTES TO THE 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 annual 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 financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has no material effect on how the results of operation and financial position of the Company are prepared and presented.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
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
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) – INT 11	HKFRS 2 — Group and Treasure Share Transactions ⁶
HK(IFRIC) – INT 12	Service Concession Arrangements ⁸

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

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

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

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2009

⁸ Effective for annual periods beginning on or after 1 January 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs) (which also include Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as financial assets at fair value through profit or loss are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) Financial assets

The Company's financial assets are mainly classified into financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. All regular way purchase and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

The investments that acquired principally for purpose of selling in the near term are classified as financial assets at fair value through profit or loss. They are measured at fair value without any deduction for transaction costs it may incur on sale or other disposal. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measure at fair value, with changes in fair value recognised directly in the profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivable (including dividend, interest and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets in equity securities or are not classified in any of the other three categories under the scope of HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments where there is no active market and whose fair value cannot be reliably measured, such investments are measured at cost less any impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Interest and other receivables

Interest and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts. The impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(e) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(f) Revenue recognition

Gains or losses on sale of investments are recognised upon the execution of a legally binding and irrevocable contract of sale.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Interest income is recognised as it accrues using the effective interest method.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition of assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

(i) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefits plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(j) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments 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 asset 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

An analysis of the turnover of the Company is as follows:

	2006 HK\$	2005 HK\$
Interest on convertible loans receivable	–	577,980
Bank interest income	363,849	117,026
Realised and unrealised gain on financial assets at fair value through profit or loss	64,192	6,779,548
	<u>428,041</u>	<u>7,474,554</u>

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.

6. OTHER OPERATING EXPENSES

	2006 HK\$	2005 HK\$
Other operating expenses include the following:		
Auditors' remuneration	70,000	65,000
Licence fee	612,000	612,000
Listing fee	145,000	145,000
Legal and professional fee	293,809	456,820
	<u>1,120,809</u>	<u>1,282,820</u>

7. TAXATION

- (a) No provision for Hong Kong profits tax has been made in the financial statements as the Company has no assessable profit for both years.
- (b) The taxation on the Company's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong, the principal place of Company's operations, as follows:

	2006 HK\$	2005 HK\$
Loss before taxation	<u>(1,187,183)</u>	<u>(9,511,663)</u>
Tax at the domestic income tax rate of 17.5%	(207,757)	(1,664,541)
Tax effect of non-taxable income	(63,674)	(20,777)
Deferred tax assets not recognised	<u>271,431</u>	<u>1,685,318</u>
Taxation for the year	<u>–</u>	<u>–</u>

As at 31 December 2006, the Company had unused tax losses of approximately HK\$12 million (2005: HK\$11 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The unrecognised tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2005: nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$1,187,183 (2005: HK\$9,511,663) and the weighted average number of 225,416,318 (2005: 199,944,000) ordinary shares in issue.

The options do not have dilutive effect because the exercise price of the options exceeds the average market price of ordinary shares during the years ended 31 December 2005 and 2006. No diluted loss per share has been presented for both years.

10. DIRECTORS' EMOLUMENTS

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Fees		
Executive directors	26,644	27,062
Non-executive directors	12,684	5,055
Independent non-executive directors	13,768	13,840
	<u>53,096</u>	<u>45,957</u>
Other emoluments of executive directors	<u>–</u>	<u>–</u>
	<u><u>53,096</u></u>	<u><u>45,957</u></u>

The director's fee of each director for the years ended 31 December 2006 and 2005 is set out below:

	2006 HK\$	2005 HK\$
Executive directors		
Xiang Xin	5,000	5,001
Ng Kwong Chue, Paul <i>(redesignated as non-executive director on 2 May 2006)</i>	1,644	5,001
Chan Cheong Yee	5,000	5,001
Kwok Chi Hung	5,000	5,000
Ng Tin Sang	5,000	3,000
Si Wei <i>(note a)</i>	1,658	55
Lin Zhiqun Brett <i>(note b)</i>	3,342	–
Luo Xiu Qing <i>(note c)</i>	–	2,002
Li Tong Yu <i>(note c)</i>	–	2,002
	<hr/> 26,644	<hr/> 27,062
Non-executive directors		
Wang Qing Yu	5,000	55
Yap Shun Chung <i>(note d)</i>	4,328	5,000
Ng Kwong Chue, Paul <i>(redesignated as non-executive director on 2 May 2006)</i>	3,356	–
	<hr/> 12,684	<hr/> 5,055
Independent non-executive directors		
Wang Xin, David	5,000	5,001
Zang Hong Liang	5,000	5,000
Wong Wang Tai <i>(note e)</i>	3,631	2,822
Lee Wing Hang <i>(note f)</i>	137	–
Yeung Chin Cheung <i>(note g)</i>	–	987
Peng Xue Jun <i>(note h)</i>	–	15
Chan Ming Fai <i>(note i)</i>	–	15
	<hr/> 13,768	<hr/> 13,840
	<hr/> 53,096	<hr/> 45,957

Notes:

- (a) Resigned on 2 May 2006
- (b) Appointed on 2 May 2006
- (c) Resigned on 27 May 2005
- (d) Resigned on 13 November 2006
- (e) Resigned on 23 September 2006
- (f) Appointed on 22 December 2006
- (g) Resigned on 14 March 2005
- (h) Resigned on 27 September 2004
- (i) Resigned on 30 December 2004

The five highest paid employees during the year included five directors (2005: five directors), details of whose emoluments are set out in above.

During the years ended 31 December 2006 and 2005, no remuneration were paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office and no director waived any emoluments.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK\$	2005 HK\$
Unlisted equity securities	13,500,225	13,500,225
Unlisted convertible notes	8,928,045	8,928,045
Less: impairment loss recognised	8,928,045	8,928,045
	—	—
	<u>13,500,225</u>	<u>13,500,225</u>

The following is a list of the Company's investments as at 31 December 2006:

(a) Unlisted equity securities

Name of invested company	Cost HK\$	2006		% of total assets of the Company	2005 Cost HK\$
		Impairment loss recognised HK\$	Carrying amount HK\$		
Jinan LuGu (HK) Technology Development Limited (note (i))	9,000,225	—	9,000,225	30.44%	9,000,225
SNG Hong Kong Limited (note (ii))	9,000,000	4,500,000	4,500,000	15.22%	9,000,000

(b) Unlisted convertible notes, unsecured:

Name of issuer	Cost HK\$	Impairment Loss recognised HK\$	Carrying amount HK\$	Interest rate	Maturity date	% of total assets of the Company
King Tiger Technology Company Limited – unsecured (note (iii))	8,928,045	8,928,045	—	6.5% p.a.	15 January 2006	—

Notes:

(i) *Jinan LuGu (HK) Technology Development Limited ("LuGu")*

LuGu is incorporated in Hong Kong and principally engaged in investment holding. It indirectly holds 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 (Ceramic Microcircuit Substrates), 微電路模塊 (Microcircuit Modules), 陶瓷電子元(組)件 (Ceramic Electronic Apparatus Parts (Discrete)).

The Company holds 250 ordinary shares in LuGu, representing 25% interest in the issued share capital of LuGu. The investment in LuGu is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

LuGu is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in LuGu is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2005: nil).

(ii) *SNG Hong Kong Limited ("SNG")*

SNG is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2006, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片 (LED Chips).

The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. The investment in SNG is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

SNG is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in SNG is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2005: nil).

(iii) *King Tiger Technology Company Limited ("King Tiger")*

King Tiger is incorporated in Taiwan and principally engaged in investment holding. It indirectly holds 49% interest in 安徽精通科技有限公司 (AnHui JingTong Science & Technology Co. Ltd.) ("AnHui JingTong"). AuHui JingTong 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 with principal amount of USD1,144,000 carrying the right to convert the loan note into shares, directly or indirectly, in AuHui JingTong. The loan note is unsecured, bears interest at 6.5% per annum and has a maturity date on 15 January 2006. At any date before the maturity, King Tiger has the right to redeem the whole or part of the loan note. On or before the 6 months ended after the maturity date, the Company has the right to convert the outstanding principal amount of the loan note into shares, directly or indirectly, in AuHui JingTong. Interest is calculated on 31 December of each year and payable in cash.

With two supplemental agreements signed on 15 November 2004 and 8 April 2005 respectively, the Company has the right to request King Tiger to settle accrued interest annually or settle in one lump sum on the maturity date. If the Company chooses to request settlement upon maturity, it has the right to request payment by cash or to convert the accrued interest into additional percentage of interest in AuHui JingTong so that the share of the net asset value of AuHui JingTong at the date of conversion be equal to the aggregate amount of the principal and accrued interest thereon.

As there were disputes between the shareholders of AuHui JingTong which hindered the conversion of the shareholding to King Tiger or to the Company directly, impairment loss for the full investment cost had been recognised during the year ended 31 December 2005.

King Tiger has defaulted on the payment of interest since 31 December 2003. No interest income recognised during the year (2005: HK\$577,980).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006 HK\$	2005 HK\$
Equity securities, listed in Hong Kong, at fair value	–	218,200

13. CASH AND CASH EQUIVALENTS

	2006 HK\$	2005 HK\$
Cash at bank	15,108,168	13,006,913
Cash on hand	–	200
Cash held in the securities account of a securities company	609,934	125,043
	<u>15,718,102</u>	<u>13,132,156</u>

Bank balances comprise short-term bank deposits at prevailing market interest rates. The fair value of these assets at 31 December 2006 was approximate to the corresponding carrying amount.

14. SHARE CAPITAL

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2005, 31 December 2005 and 31 December 2006	<u>2,000,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2005 and 31 December 2005	199,944,000	1,999,440
Issue of rights shares	<u>99,972,000</u>	<u>999,720</u>
At 31 December 2006	<u>299,916,000</u>	<u>2,999,160</u>

The Company completed a rights issue on 29 September 2006, which raised gross proceeds of approximately HK\$4.0 million by issuing 99,972,000 rights shares at HK\$0.04 each.

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 31 December 2006 are as follows:

Date of grant	Option period	Number of share options			Price per share to be paid on exercise of options HK\$ (adjusted)
		Outstanding as at 1 January 2006 (adjusted)	Granted during the year	Outstanding as at 31 December 2006	
29/1/2003	28/8/2003 – 27/8/2013	24,000,000	–	24,000,000	0.2083

As a result of the Rights issue completed on 29 September 2006 as described in note 14, the exercise price of the options was adjusted from HK\$0.25 to HK\$0.2083 per share and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding options are 24,000,000.

As at 31 December 2006, the number of shares issuable under the Scheme represented approximately 8% (2005: approximately 10%) of the Company's shares in issue as at that date.

No share options were exercised under the Scheme during the year.

16. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2006 of HK\$29,127,977 (2005: HK\$27,021,452) and 299,916,000 (2005: 199,944,000) ordinary shares in issue at that date.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's major financial instruments include investments in listed and unlisted securities, interest and other receivables and bank balances. Details of these financial instruments are disclosed in the 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 assets 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 31 December 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 the adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regards, 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 rating assigned by international credit rating agencies.

18. CONNECTED AND RELATED PARTY TRANSACTIONS

	2006 HK\$	2005 HK\$
Investment management fee paid to		
China Everbright Securities (HK) Limited (<i>note a</i>)	<u>68,639</u>	<u>106,428</u>
Brokerage commission paid to		
China Everbright Securities (HK) Limited (<i>note b</i>)	<u>5,434</u>	<u>28,367</u>
License fee paid to		
New Times Investment Management Limited (<i>note c</i>)	<u>612,000</u>	<u>612,000</u>
License deposit paid to		
New Times Investment Management Limited	<u>102,000</u>	<u>102,000</u>

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 ranged 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.

Details of compensation of key management personnel are set out in note 10 to the financial statements.

3. UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The following is the unaudited condensed income statements of the Company for the six months ended 30 June 2007, the unaudited condensed balance sheet of the Company as at 30 June 2007 together with the comparative figures of the audited balance sheet of the Company as at 31 December 2006, the unaudited condensed statement of changes in equity of the Company and the unaudited cash flow statements of the Company for the six months ended 30 June 2007, together with accompanying notes to the accounts extracted from the interim report of the Company for the six months ended 30 June 2007.

CONDENSED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2007 (Unaudited) <i>HK\$</i>	2006 (Unaudited) <i>HK\$</i>
Turnover	3	407,462	234,723
Investment manager's fee		(39,249)	(36,903)
Directors' emoluments		(25,000)	(27,274)
Other operating expenses	4	<u>(707,464)</u>	<u>(774,757)</u>
Loss before taxation		(364,251)	(604,211)
Taxation	5	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u><u>(364,251)</u></u>	<u><u>(604,211)</u></u>
Loss per share			
– Basic	7	<u><u>(0.12) cents</u></u>	<u><u>(0.30) cents</u></u>

CONDENSED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$	31 December 2006 (Audited) HK\$
	<i>Notes</i>		
Non-current assets			
Available-for-sale investments	8	13,500,225	13,500,225
Current assets			
Deposits and prepayment		199,089	344,227
Financial assets at fair value through profit or loss	9	14,707	–
Cash and cash equivalents	10	15,251,122	15,718,102
		<u>15,464,918</u>	<u>16,062,329</u>
Current liabilities			
Accruals		201,417	434,577
Net current assets		<u>15,263,501</u>	<u>15,627,752</u>
Total assets less current liabilities		<u>28,763,726</u>	<u>29,127,977</u>
Capital and reserves			
Share capital	11	2,999,160	2,999,160
Reserves		25,764,566	26,128,817
Total equity attributable to equity holders of the Company		<u>28,763,726</u>	<u>29,127,977</u>
Net asset value per share	12	<u>HK\$0.10</u>	<u>HK\$0.10</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 January 2006	1,999,440	44,420,105	(19,398,093)	27,021,452
Loss for the period	—	—	(604,211)	(604,211)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2006	<u>1,999,440</u>	<u>44,420,105</u>	<u>(20,002,304)</u>	<u>26,417,241</u>
Balance at 1 January 2007	2,999,160	46,714,093	(20,585,276)	29,127,977
Loss for the period	—	—	(364,251)	(364,251)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2007	<u>2,999,160</u>	<u>46,714,093</u>	<u>(20,949,527)</u>	<u>28,763,726</u>

CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007 (Unaudited) HK\$	2006 (unaudited) HK\$
Net cash used in operating activities	(619,971)	(646,158)
Net cash from investing activities	152,991	272,581
Net decrease in cash and cash equivalents	(466,980)	(373,577)
Cash and cash equivalents at 1 January	15,718,102	13,132,156
Cash and cash equivalents at 30 June	<u>15,251,122</u>	<u>12,758,579</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	14,483,505	12,758,157
Cash held in the securities account maintained in a securities company	620,325	422
Cash held in the commodities account maintained in a securities company	147,292	–
	<u>15,251,122</u>	<u>12,758,579</u>

NOTES TO THE 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").

These condensed interim financial statements ("Interim Financial Statements") are presented in Hong Kong dollars ("HK\$") which is the Company's functional currency and presentation currency. These Interim Financial Statements have been approved for issue by the Board of Directors on 20 September 2007.

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 of Hong Kong Limited ("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 2006 annual report.

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2006 annual report. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

In the current period, the Company has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs"), issued by the HKICPA, which are effective for the Company's accounting periods beginning on 1 January 2007.

– HKAS 1 (Amendment)	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
– HK(IFRIC)-INT 10	Interim financial reporting and impairment ⁵

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

⁵ Effective for annual periods beginning on or after 1 November 2006

The application of these new HKFRSs did not have any material impact on how the financial statements of the Company are prepared and presented for the current or prior accounting period.

The Company has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

– HKAS 23 (Revised)	Borrowing costs ⁶
– HKFRS 8	Operating segments ⁶
– HK(IFRIC)-INT 11	HKFRS 2 – Group and treasure share transactions ⁷
– HK(IFRIC)-INT 12	Service concession arrangements ⁸

⁶ Effective for periods beginning on or after 1 January 2009

⁷ Effective for periods beginning on or after 1 March 2007

⁸ Effective for periods beginning on or after 1 January 2008

3. TURNOVER

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Interest income	239,763	180,342
Realised and unrealised gain on financial assets at fair value through profit or loss	167,699	54,381
	<u>407,462</u>	<u>234,723</u>

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.

4. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Other operating expenses include the following:		
Legal and professional fee	88,179	333,433
License fee	306,000	306,000
Listing fee	72,500	72,500
	<u>466,679</u>	<u>711,933</u>

5. 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 2006: Nil).

6. DIVIDEND

The directors resolved not to pay an interim dividend for the six months ended 30 June 2007.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$364,251 (2006: HK\$604,211) and on 299,916,000 (2006: 199,944,000) shares in issue during the period.

No diluted loss per share was presented for both periods as the impact of the exercise of the share options is anti-dilutive.

8. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2007 (Unaudited) HK\$	31 December 2006 (Audited) HK\$
Unlisted equity securities	13,500,225	13,500,225
Unlisted convertible notes	8,928,045	8,928,045
Less: impairment loss recognised	8,928,045	8,928,045
	—	—
	<u>13,500,225</u>	<u>13,500,225</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2007 (Unaudited) HK\$	31 December 2006 (Audited) HK\$
Equity securities, listed in Hong Kong, at fair value	<u>14,707</u>	<u>—</u>

10. CASH AND CASH EQUIVALENTS

	2007 (Unaudited) HK\$	2006 (Audited) HK\$
Cash at bank	14,483,505	15,108,168
Cash held in the securities account of a securities company	620,325	609,934
Cash held in the commodities account of a securities company	147,292	—
	<u>15,251,122</u>	<u>15,718,102</u>

11. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2007 and 30 June 2007	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 1 January 2007 and 30 June 2007	<u>299,916,000</u>	<u>2,999,160</u>

12. NET ASSETS VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at 30 June 2007 of HK\$28,763,726 (31 December 2006: HK\$29,127,977) and 299,916,000 (31 December 2006: 299,916,000) ordinary shares in issue at that date.

13. 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 (i) each eligible participant (including both exercised and outstanding options) and (ii) a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates in any 12-month period up to the date of such grant must not exceed 1% or 0.1% respectively 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/her 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 2007 are as follows:

Date of grant	Option period	Number of share options		Exercise price per underlying share HK\$	
		Outstanding as at 1 January 2007	Granted during the period		Outstanding as at 30 June 2007
29/1/2003	28/8/2003– 27/8/2013	24,000,000	–	24,000,000	0.2083

As at 30 June 2007, the number of shares issuable under the Scheme represented approximately 8% (31 December 2006: approximately 8%) of the Company's shares in issue as at that date.

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

14. CONNECTED AND RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$	(Unaudited) HK\$
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	<u>39,249</u>	<u>36,903</u>
Brokerage commission and handling fee paid to China Everbright Securities (HK) Limited (<i>note b</i>)	<u>2,300</u>	<u>8,047</u>
Brokerage commission paid to China Everbright Forex & Futures (HK) Limited (<i>note c</i>)	<u>1,600</u>	<u>-</u>
License deposit withheld by/paid to New Times Investment Management Limited (<i>note d</i>)	<u>102,000</u>	<u>102,000</u>
License fee paid and payable to New Times Investment Management Limited	<u>306,000</u>	<u>306,000</u>

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. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served. 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. Handling fee is charged at HK\$100 per each IPO application.
- (c) China Everbright Forex & Futures (HK) Limited is a fellow subsidiary of CES. Brokerage commission is charged at the rate of HK\$60 or HK\$100 per each future trading contract.
- (d) 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.

15. POST BALANCE SHEET EVENTS

On 16 August 2007, the Board of Directors announced that the company proposed to raise not less than approximately HK\$120 million and not more than approximately HK\$153 million, before expenses, by issuing not less than 3,000,120,000 rights shares and not more than 3,838,992,000 rights shares at a price of HK\$0.04 per rights share (the "Rights Issue"). The proposed right shares are issued in the proportion of ten rights shares for every share held on the record date. The aggregate number of rights shares to be issued pursuant to the terms of the Rights Issue represents 10 times of the issued share capital of the Company on the same date. The Rights Issue is subject to approval by the Company's shareholders (other than 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 forthcoming extraordinary general meeting).

On the same date, a warrant subscription agreement ("Warrant Agreement") has been entered into between the Company and Ms. Leung Rui Ling, Florence, an independent third party whom was introduced by the investment manager of the Company. A total 59,983,200 unlisted warrants would be issued at an issue price of HK\$0.01 each under the Warrant Agreement with the subscription rights attaching to the warrants at an initial exercise price of HK\$0.33 (subject to adjustment) per each warrant share. A total of 59,983,200 new shares of HK\$0.01 each were issued by the Company upon full exercise of the warrants by Mr. Lu Kemin, as a result of the transfer of the warrant by Ms. Leung Rui Ling, Florence, being the initial subscriber of the warrant, pursuant to the Warrant Agreement on 19 September 2007.

On the same date, 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 to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Company did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or material contingent liabilities.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Company since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up.

6. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Company's internal resources and the estimated net proceeds from the Rights Issue and the Warrants Subscription, the Company will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted net tangible assets of the Company which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Company as if the Rights Issue had been completed on 31 December 2006. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Company upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted net tangible assets of the Company is prepared based on the net tangible assets of the Company as at 31 December 2006 as extracted from the annual report of the Company for the year ended 31 December 2006 and is adjusted for the effect of the Rights Issue.

	Audited net tangible assets of the Company as at 31 December 2006 HK\$	Audited net tangible assets of the Company per Share before the Rights Issue HK\$				
Before completion of the Rights Issue	<u>29,127,977</u>	<u>0.10</u>	<i>(note 1)</i>			
	Audited net tangible assets of the Company as at 31 December 2006 HK\$	Proceeds from the issue and exercise of of warrants HK\$	Estimated net proceeds from the Rights Issue HK\$	Unaudited proforma adjusted net tangible assets of the Company immediately after the Rights Issue HK\$	Unaudited proforma adjusted net tangible assets of the Company per Share immediately after the Rights Issue HK\$	
After completion of the Rights Issue	<u>29,127,977</u>	<u>720,000</u>	<u>20,394,000</u>	<u>141,000,000</u>	<u>191,241,977</u>	<u>0.05</u>
			<i>(note 2)</i>			<i>(note 3)</i>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Note:

1. The net tangible assets per Share as at 31 December 2006 is calculated based on the 299,916,000 shares in issue as at 31 December 2006.
2. The estimated net proceeds from the Rights Issue are based on 3,633,552,000 Rights Shares at a price of HK\$0.04 per Rights Share, after deducting the estimated underwriting fees and other related expenses to be incurred by the Company.
3. The unaudited proforma adjusted net tangible assets of the Company per Share immediately after the Rights Issue is calculated based on the 299,916,000 Shares in issue as at 31 December 2006, together with 3,456,000 Shares (of which 96,000 Options which have been exercised during the period from 1 January to 11 September 2007) exercised from the Options (at the exercise price of HK\$0.2083), 59,983,200 Warrants Shares (at an issue price of HK\$0.01 and an exercise price of HK\$0.33) and the 3,633,552,000 Rights Shares.

LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY

The following is a text of the letter received from the reporting accountants of the Company, Graham H.Y. Chan & Co., in respect of the unaudited pro forma financial information of the Company which has been prepared for the purpose of incorporation into this Prospectus.



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

Unit 1,15/F., The Center,
99 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

TO THE DIRECTORS OF SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

We report on the unaudited pro forma statement of adjusted net tangible assets of Sino Technology Investments Company Limited (the "Company") which has been prepared by the directors for illustrative purposes only, to provide information about how the rights issue of 3,633,552,000 rights shares at HK\$0.04 per rights share payable in full on acceptance in the proportion of ten rights shares for every share held on the record date might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 11 October 2007. (the "Prospectus"). The basis of preparation of the unaudited pro forma statement of adjusted net tangible assets is set out on pages 60 to 61 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted net tangible assets in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma statement of adjusted net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted net tangible assets as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

The unaudited pro forma statement of adjusted net tangible assets is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Company as at 31 December 2006 or any future date.

Opinion

In our opinion:

- a. the unaudited pro forma statement of adjusted net tangible assets has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Company; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted net tangible assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Graham H.Y. Chan & Co.

Certified Public Accountants (Practising)

Hong Kong

11 October 2007

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Prospectus misleading.

2. SHARE CAPITAL

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue will be, as follows:

As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares (As at the Latest Practicable Date)	<u>20,000,000</u>
<u>5,000,000,000</u> Shares (After the EGM)	<u>50,000,000</u>
 <i>Issued and fully paid:</i>	
363,355,200 Shares (As at the Latest Practicable Date)	3,633,552
3,633,552,000 Rights Shares to be issued pursuant to the Rights Issue	36,335,520
<u>3,996,907,200</u> Shares upon completion of the Rights Issue	<u>39,969,072</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully paid form.

As at the Latest Practicable Date, the Company had Outstanding Options to subscribe for 20,544,000 Shares at the exercise price of HK\$0.2083 per Share (subject to adjustment). Save for the Outstanding Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

Save as disclosed above, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital since 31 December 2006 (the date to which the latest published audited financial statements of the Company were made up).

There is no arrangement under which future dividends are waived or agreed to be waived.

(b) Listing

The Shares are listed and traded on the main board of the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in, nor any listing of or permission to deal in the Shares is being or proposed to be sought on, any other stock exchange.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under 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”) were as follows:

(a) Ordinary Shares

Name of Director	Capacity	Number of issued Shares interested	Approximate percentage of interests
Xiang Xin	Interest through a controlled corporation	60,104,000 (L) (Note 2)	16.54%

Notes:

1. The letter “L” denotes the Directors’ long position (i.e. interests) in the Shares.
2. The 60,104,000 Shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang. Mr. Xiang is the sole director of Harvest Rise Investments Limited. Mr. Xiang has undertaken to the Underwriter and the Company that he will and will procure to subscribe for not less than 291,660,000 Rights Shares.

(b) Share Options

Name of Director	Date of grant	Exercise Period	Capacity	Exercise price per underlying Share HK\$	Number of underlying shares of the Company comprised the Options outstanding as at the Latest Practicable Date	Approximate percentage of interest
Ng Kwong Chue Paul (Note 1)	29 January 2003	28 August 2003 to 27 August 2013	Beneficial owner	0.2083	1,200,000	0.330%
David Wang Xin (Note 1)	29 January 2003	28 August 2003 to 27 August 2013	Beneficial owner	0.2083	480,000	0.132%
Advisors (Note 2)	29 January 2003	28 August 2003 to 27 August 2013	Beneficial owners	0.2083	18,864,000	5.192%

Notes:

- 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 1,200,000 and 480,000 Shares respectively pursuant to the Share Option Scheme.
- The 18,864,000 Outstanding Options were granted to advisers to the Company on 29 January 2003 and the details was set out below:

Name of advisors	Number of underlying shares of the Company comprised the Options outstanding as at Latest Practicable Date	Approximate Percentage of interests
Chan Hoi Foon	124,800	0.034%
Chan Hoi Fung	480,000	0.132%
Chan Kun Yu	96,000	0.026%
Chan Kwok Kei	48,000	0.013%
Chan Mei Yee	48,000	0.013%
Chan Suk Hing	1,440,000	0.396%
Chan Yin Fong	96,000	0.026%
Cheong Wai Shing	96,000	0.026%
Cheung Chi Ming	48,000	0.013%
Chiu Yiu Sum	48,000	0.013%
Chou Wai Fun	96,000	0.026%
Chow Ming Fuk	144,000	0.040%
Fu Ngan Fong	48,000	0.013%
Fung Yim Pui	144,000	0.040%
Ho Chi Kee Franky	480,000	0.132%
Ho King Yin	288,000	0.079%
Ho Yin Fong Sammy	96,000	0.026%
Hsieh Kuan Hua	1,200,000	0.330%
Hui Ching Wan	144,000	0.040%
Kong Wing Fai	1,200,000	0.330%
Kwok Yan Sin	144,000	0.040%
Lam Chik Chung	96,000	0.026%
Lam Hak Ha Jasper	288,000	0.079%
Lee Shuk Yee	96,000	0.026%
Leung Ka Man	124,800	0.034%
Li Hang Sze	124,800	0.034%
Liu Kam Fai	96,000	0.026%
Lui Yiu Wing	96,000	0.026%
Ma Kit Wai	96,000	0.026%
Ng Ka Yuen Cecilia	480,000	0.132%
Ng Man On	144,000	0.040%
Or Wan Yiu	124,800	0.034%
Or Yuen Yuen	192,000	0.053%
Peng Xue Jun	1,440,000	0.396%
Poon Kuai In	1,200,000	0.330%
Poon Man Sze	48,000	0.013%
Qu Bo	1,200,000	0.330%
Shiu Shu Ming	1,440,000	0.396%
Shu Kwan Long	1,200,000	0.330%
Siu Ka Yan	48,000	0.013%
Sum Pak Kin	48,000	0.013%
Tam Siu Hong	48,000	0.013%

Name of advisors	Number of underlying shares of the Company comprised the Options outstanding as at Latest Practicable Date	Approximate Percentage of interests
Wong Chan Wing	144,000	0.040%
Wong Hon Hang	48,000	0.013%
Wong Ka Man	48,000	0.013%
Wong Man Sin	48,000	0.013%
Wong Sau Ching	96,000	0.026%
Wong Wing Yiu	1,200,000	0.330%
Wong Yuk Fung	96,000	0.026%
Woo Dick Wai	144,000	0.040%
Yau Kwun Hong	124,800	0.034%
Yeung Chin Cheung	1,440,000	0.396%
Yeung Hoi Ping	336,000	0.092%

3. All the Outstanding Options were granted to each grantee at a consideration of HK\$1.00.
4. Apart from 3,456,000 Options have been exercised since 31 December 2006, no relevant Outstanding Options have been exercised, cancelled or lapsed up to and including the Record Date.

Save as disclosed above, none of the Directors or the chief executives of the Company or any of their associates had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under 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.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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) 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 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% 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:

A. Interest in issued Shares

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of interests
Harvest Rise Investments Limited (Note 2)	Corporate	60,104,000 (L)	16.54%
Kung Ching (Note 3)	Deemed	60,104,000 (L)	16.54%
AP Wireless Net Inc. (Note 4)	Corporate	77,696,000 (L)	21.38%
Lin Zhiqun Brett (Note 4)	Corporate	77,696,000 (L)	21.38%
Lu Kemin (Note 5)	Beneficial	59,983,200 (L)	16.51%

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. Mr. Xiang is the sole director of Harvest Rise Investments Limited. Mr. Xiang has undertaken to the Underwriter and the Company that he will and will procure to subscribe for not less than 291,660,000 Rights Shares.
3. Ms. Kung Ching, the spouse of Mr. Xiang, are deemed to have interest in 60,104,000 Shares held by Harvest Rise Investment Limited as mentioned in note 2 above.
4. AP Wireless Net Inc. is a private company wholly and beneficially owned by Mr. Lin being a former Director. Mr. Lin is the sole director of AP Wireless Net Inc.. 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 77,696,000 Shares owned by him as at the Latest Practicable Date.
5. Mr. Lu Kemin, the Subscriber, hold 59,983,200 Shares after full exercise of the Warrants pursuant to the Warrants Subscription Agreement. Mr. Lu Kemin has undertaken to the Company that he will and will procure to exercise the subscription rights attaching to the 59,983,200 Warrants Shares owned by him as at the Latest Practicable Date.

B. Interest in unissued Shares

Name of Shareholder	Number of unissued Shares held	Approximate percentage of interests
Eternal Pearl Securities	3,239,160,000 (L) (Note 2)	81.04

Notes:

1. The letter "L" denotes the long position (i.e. interests) in the Shares.
2. Eternal Pearl Securities' interest in unissued Shares arises out of its obligation as the Underwriter under the Underwriting Agreement.

As at the Latest Practicable Date, 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 10% 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 held any option in respect of such capital.

5. LITIGATION

As at the Latest Practicable Date, the Company did not engage in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or was, or might become, a party.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert whose statement has been included in this Prospectus:

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

Graham has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter as set out in this Prospectus and references to its name in the form and context in which it appears respectively.

As at the Latest Practicable Date, Graham did not have any shareholding in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, Graham did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to the Company since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

8. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory, management, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$4.0 million and are payable by the Company.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Company (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus and are or may be material:

- (a) the underwriting agreement dated 18 July 2006 entered into between Ms. Liu Yanhua, Baron Capital Limited (being the underwriters) and the Company in relation to the rights issue of 99,972,000 right Shares (in the proportion of 1 right Shares for every two Shares held on then record date) at HK\$0.04 per rights Share;
- (b) the Underwriting Agreement; and
- (c) the Warrants Subscription Agreement.

Save as aforesaid, no material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Company within the two years immediately preceding the date of the Prospectus which are or may be material.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681 GT George Town, Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in Hong Kong	Suites 2305-2307 23/F, Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Authorised representatives	Xiang Xin Room 4607 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong
	Sze Lin Tang Room A, 3/F Block 2 Provident Centre North Point Hong Kong
Company secretary	Sze Lin Tang A member of Hong Kong Institute of Certified Public Accountants
Qualified accountant	Wong Chak Keung A member of Hong Kong Institute of Certified Public Accountants and certified practising accountant of CPA Australia
Legal advisers to the Company in relation to Rights Issue	Michael Li & Co 14/F, Printing House 6 Duddell Street Central Hong Kong

Auditors and reporting accountants in relation to the Rights Issue	Graham H.Y. Chan & Co. Certified Public Accountants (Practising) Unit 1, 15/F The Center 99 Queen's Road Central Hong Kong
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar	Union Registrars Limited Rooms 1901-02 Fook Lee Commercial Centre Town Place 33 Lockhart Road Wanchai Hong Kong
Principal banker	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Underwriter	Eternal Pearl Securities Limited Units 2901-06 29/F, Cosco Tower 183 Queen's Road Central Hong Kong

11. PARTICULARS OF THE DIRECTORS

(a) Particulars

Name	Address	Nationality
<i>Executive Directors:</i>		
Xiang Xin	Room 4607 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
Chan Cheong Yee	Suite F, 29/F Tower 10 South Horizons Ap Lei Chau Hong Kong	Chinese
Kwok Chi Hung	5B Grand Court 16 Shan Kwong Road Happy Valley Hong Kong	Chinese
Ng Tin Sang	Flat B, 19/F Block 26 Laguna City Kowloon Hong Kong	Chinese

Name	Address	Nationality
<i>Non-executive Directors:</i>		
Wang Qing Yu (chairman of the Board)	Room 1805, Block 5 10 Che Dao Gou Hai Dian District Beijing PRC	Chinese
Ng Kwong Chue, Paul	Flat A, 18/F Block 12 Provident Centre 43 Wharf Road North Point Hong Kong	Chinese
<i>Independent Non-executive Directors:</i>		
David Wang Xin	77 Robinson Road #15-03 SIA Building Singapore	Singaporean
Zang Hong Liang	No. 5092 2 Ji Chang Bei Road Chao Yang District Beijing PRC	Chinese
Lee Wing Hang	Flat H, 2/F Bedford Garden North Point Hong Kong	Chinese
<i>Authorised representatives:</i>		
Xiang Xin	Room 4607 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
Sze Lin Tang	Room A, 3/F Block 2 Provident Centre North Point Hong Kong	Chinese

(b) Qualifications*Executive Directors:*

Mr. Xiang Xin, aged 44, an executive Director, joined the Company in January 2003. He has worked for quite a few large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. He also has many years of experience in project investment and telecommunications network businesses. Mr. Xiang holds a Bachelor Degree in Science and a Master Degree in Engineering from Nanjing University of Science & Technology. Mr. Xiang did not hold any other directorships in listed companies for the last three years. As at the Latest Practicable Date, Mr. Xiang, through his private company, Harvest Rise Investment Limited, was beneficially interested in 60,104,000 Shares.

Mr. Chan Cheong Yee, aged 43, an executive Director, joined the Company in June 2003. Mr. Chan has obtained a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States. Mr. Chan has also been appointed as an independent non-executive director of SJTU Sunway Software Industry Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 27 March 2007. On top of the directorships mentioned above, from 2004 to 2006, Mr. Chan was an independent non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange, and from 1 June 2002 to 30 June 2003, he was an executive director of Haywood Investments Limited (currently Apex Capital Limited), an investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules. From May 2004 to February 2005, he was an independent non-executive director of GP Nano Technology Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange until 9 June 2005. Mr. Chan is a licensed person under the SFO for regulated activities in dealing in securities, dealing in futures contracts, leveraged foreign exchange trading and asset management and is a responsible officer of each of China Everbright Securities (HK) Limited, China Everbright Capital Limited and China Everbright Forex & Futures (HK) Limited, all being licensed corporations under the SFO. Save as disclosed above, Mr. Chan did not hold any other directorships in listed companies for the last three years.

Mr. Kwok Chi Hung, aged 46, an executive Director, joined the Company in December 2004. He is at present the financial advisor of Kai Yi HR Co., Ltd. Mr. Kwok has over 20 years of experience in financial management and accounting. Mr. Kwok did not hold any other directorships in listed companies for the last three years.

Mr. Ng Tin Sang, aged 58, an executive Director, joined the Company in May 2005. He is at present the chief executive officer of The Hong Kong Progressive Alliance. Mr. Ng graduated from the Department of Chinese of Guangzhou University. He was the director of the Research Center of Guangzhou P.R. China, division chief of Xinhua News Agency, Hong Kong Branch (now known as Liaison Office of The Central People's Government in the Hong Kong S.A.R.). He had held senior positions with Swank International Manufacturing Co., Ltd. (a company listed in Hong Kong) and Gang Ao International (Holdings) Company Limited. Mr. Ng has a wealth of experience in strategy research, China relation, project planning, public relation, resources integration and co-ordination; and a wide exposure to society. Mr. Ng did not hold any other directorships in listed companies for the last three years.

Non-executive Directors:

Mr. Wang Qing Yu, aged 63, a non-executive Director and Chairman of the Company, joined the Company in December 2005. Mr. Wang graduated from Optical Equipment Faculty of Changchun University of Science and Technology, majoring in Precision Mechanics. He had previously taught optical precision mechanical technology and optical cold processing and conducted related scientific research. He was Schoolmaster of Changchun University of Science and Technology, professor and secretary of the Party Committee, Head President of China South Industries Group Corporation and Director of the General Office. He was awarded National Science Conference Group Award Grade A. Mr. Wang was recognised as a science expert by the State Council of the PRC, and is entitled to perpetual government allowances. Mr. Wang did not hold any other directorships in listed companies for the last three years.

Mr. Ng Kwong Chue Paul, aged 37, a non-executive Director, joined the Company as executive Director in April 2003 and changed to act as non-executive Director in May 2006. He has more than 12 years of experience in audit, taxation and corporate finance area. Mr. Ng had served in PricewaterhouseCoopers before he founded wireless technology pioneers REALVision Technology Limited. He is also one of the founders of the Company. Currently, Mr. Ng is the director of Naputa Investment Inc, a private equity fund. He is also the company secretary and chief investment officer of Macro-Link International Holdings Limited, a company listed on the main board of the Stock Exchange. He holds a Bachelor Degree in Commerce from the University of Melbourne. He is a member of CPA Australia, Hong Kong Institute of Certified Public Accountants and a certified management consultant with Australian Institute of Management. Mr. Ng did not hold any other directorships in listed companies for the last three years. As at the Latest Practicable Date, Mr. Ng was interested in 1,200,000 Options.

Independent non-executive Directors:

Mr. David Wang Xin, aged 45, an independent non-executive Director and a chairman of the audit committee, joined the Company in October 2002. He is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a Bachelor's degree in Mechanical Engineering in 1982 and a Master's degree in Business Administration in 1985. Mr. Wang did not hold any other directorships in listed companies for the last three years. As at the Latest Practicable Date, Mr. Wang was interested in 480,000 Options.

Mr. Zang Hong Liang, aged 39, an independent non-executive Director and a member of the audit committee, joined the Company in September 2004. He is at present a lawyer of Jingtian & Gongcheng, Attorneys at Law. He graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. He holds a Bachelor degree in International Economic Law and a Master degree in Commercial Law. Mr. Zang's area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping. Mr. Zang did not hold any other directorships in listed companies for the last three years.

Mr. Lee Wing Hang, aged 39, an independent non-executive Director and a member of the audit committee, joined the Company in December 2006. He holds a bachelor degree in accountancy from Australia. He has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lee did not hold any other directorships in listed companies for the last three years.

11. LEGAL EFFECT

This Prospectus and the enclosed PAL and EAF and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions of Sections 44A and 44B of the Companies Ordinance insofar as it is applicable).

12. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Rights Issue Documents, together with the written consent referred to under the paragraph headed "Qualification and consent of expert" in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.

13. GENERAL

- (i) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company, since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up.
- (ii) There is no contract or arrangement entered into by the Company subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Company as a whole.
- (iii) In case of inconsistency, the English text of this Prospectus shall prevail over the Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (excepted Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong for the period from the date of this Prospectus up to and including 31 October 2007.

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three financial years ended 31 December 2006 and the interim report of the Company for the six months ended 30 June 2007;
- (iii) the letter from Graham dated 11 October 2007 in respect of the pro forma statement of adjusted net tangible assets of the Company following completion of the Rights Issue, the text of which is set out in Appendix II to this Prospectus;
- (iv) the written consent referred to in paragraph headed "Expert" in this appendix;
- (v) all material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (vi) the undertaking given by Mr. Xiang in respect of his taking up of its entitlement under the Rights Issue;
- (vii) the undertaking given by Mr. Lin in respect of his giving up of its entitlement under the Rights Issue;
- (viii) the undertaking given by Mr. Lu Kemin to exercise the Warrants on or before 21 September 2007; and
- (ix) the circular dated 17 September 2007 in respect of the Rights Issue.