



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1217)

AGREEMENT IN PRINCIPLE IN RESPECT OF INVESTMENT IN UNMANNED AIRCRAFT PROJECT IN THE PRC

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

The Board is pleased to announce that on 5 November 2007, the Company has entered into the Agreement In Principle with Beijing Heifeng Aviation, pursuant to which the Company will invest in Beijing Heifeng Aviation subject to the fulfillment of certain conditions.

Beijing Heifeng Aviation is principally engaged in the research, development, manufacturing and sale of unmanned aircrafts in the PRC for military and civil uses. As advised by Beijing Heifeng Aviation, the PRC is regarded as one of the seven largest unmanned aircraft manufacturing countries in the world.

If an agreement proceeds after the fulfillment of the conditions contained therein, this project will be the Group's first investment in the national defense and military industries in the PRC. The Board believes that the investment presents a good opportunity for the Group to tap into the tremendous potential of the unmanned aircraft sector in the national defense and military industries in the PRC.

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Information of Beijing Heifeng Aviation

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Major terms of the Agreement In Principle

The Company will invest and be interested in certain equity interests in Beijing Heifeng Aviation subject to the fulfillment of the following conditions:

- (i) completion of capital restructuring of Beijing Heifeng Aviation to become a sino-foreign equity joint venture in accordance with the Company's requirements;
- (ii) Qualification of Beijing Heifeng Aviation engaged in the research and manufacturing of unmanned aircraft will not be adversely affected after the said capital restructuring;
- (iii) the senior management of Beijing Heifeng Aviation will remain intact after the said capital restructuring;
- (iv) Beijing Heifeng Aviation shall continue to use its core technology and prototypes to develop the unmanned aircrafts;
- (v) Beijing Heifeng Aviation shall obtain the relevant sales contracts for military use of the unmanned aircrafts developed by it;
- (vi) the completion of the audited financial statements of Beijing Heifeng Aviation to the satisfaction of the Company;
- (vii) the entering into of the contracts by Beijing Heifeng Aviation to the satisfaction of the Company; and
- (viii) Beijing Heifeng Aviation shall obtain relevant government authorities' consents and approvals so as to allow the Company to invest in it and the investment valuation of Beijing Heifeng Aviation by the Company will be based on the net asset value of Beijing Heifeng Aviation.

The Company and Beijing Heifeng Aviation have agreed that if Beijing Heifeng Aviation requires further financing, Beijing Heifeng Aviation will grant the Company the first right to further invest in Beijing Heifeng Aviation and to procure reputable PRC and international institutional investors to co-invest in Beijing Heifeng Aviation.

Information of the unmanned aircraft industry

Unmanned aircraft refers to an remotely-piloted or self-piloted aircraft that can carry cameras, sensors, communications equipment or other payloads. Unmanned aircraft was initially applied for military uses, including but not limited to, reconnaissance and intelligence-gathering role in the war site, aerial combating and border patrolling. Recently, the unmanned aircraft has also been applied for civil uses, which mainly involve transmission of television signal, provision of high speed internet access, search rescue services in an emergency situation, weather forecast and aviation photographing. The present technological level of the unmanned aircrafts is very advanced for military and civil uses.

Following the successful application of unmanned aircrafts, namely “Global Hawk”, in information gathering in the Gulf War in 1991, the Federal Aviation Department of the U.S. has approved the commercial application of unmanned aircrafts in August 2003 provided that the aircrafts fly over certain altitude level. According to an article published in Jane’s Defense Weekly, the unmanned aircrafts are expected to be widely used in commercial application. According to the specialist journal published in “The Economist”, salaries of pilots constitute about half of the total operating costs of airline companies. As indicated in the research report of The Boeing Company, a ground officer can simultaneously monitor the operations of four unmanned aircrafts. Therefore, the commercial application of unmanned aircrafts is expected to substantially reduce the operating costs of airline companies. Microsoft Corporation estimates that unmanned aircraft will become an ordinary travel passenger carrier by year 2030.

In addition to carrying passengers for traveling, Northrop Gummman Corporation, a global defense and technology company, is developing unmanned aircrafts for spraying agriculture crops and provision of satellite communication services. The Boeing Company has also established a department specializing in the research and development of commercial application of unmanned aircrafts.

Reasons for entering into the Agreement In Principle

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. As stated in the prospectus relating to the right issues of the Company dated 11 October 2007, the Company will participate, as a financial investor, in the state-owned enterprises engaged in national defense and military industries (particularly, those engaged in the commercialization and development of technologies used in military for commercial and civil applications) at the early stage of their share restructuring.

If an agreement proceeds after the fulfillment of the conditions contained therein. This project will be the Group’s first investment in the national defense and military industries in the PRC. The Directors (including the independent non-executive Directors) are of the view that, given the reputation and technological capability of Beijing Heifeng Aviation in the research and development of unmanned aircrafts in the PRC, the investment presents a good opportunity for the Group to tap into the tremendous potential of the unmanned aircraft sector in the national defense and military industries in the PRC.

General

This announcement is intended to set out the salient features of the Agreement In Principle. In the event of the consummation of the transaction contemplated under the Agreement In Principle, the subject transaction may constitute a notifiable transaction for the Company under Rule 14.06 of the Listing Rules. Further announcement(s) will be made by the Company in respect of any material development on the possible transaction and actions which will be taken to comply with the disclosure and/or approval requirements under the Listing Rules.

As the subject transaction may or may not proceed, Shareholders and investors of the Company should exercise cautions when dealings in the securities of the Company.

Definitions

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

“Agreement In Principle”	the non-legal binding agreement in principle dated 5 November 2007 entered into between the Company and Beijing Heifeng Aviation on the possible acquisition of equity interest in Beijing Heifeng Aviation
“associates”	has the same meaning as defined in the Listing Rules
“Beijing Heifeng Aviation”	北京黑峰航空科技有限公司 (“Beijing Heifeng Aviation Science and Technology Co., Ltd.”*), a company incorporated in the PRC with limited liability, an Independent Third Party
“Board”	the board of Directors
“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
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s), or in case of companies, their ultimate beneficial owners(s), who is/are independent of and not connected with the Company and its subsidiaries and its connected persons or in the case of a corporation (the ultimate beneficial owner) its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America

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

Hong Kong, 5 November 2007

* For identification purpose only

As at the date of this announcement, the executive Directors of the Company are Mr. Xiang Xin and Mr. Chan Cheong Yee; the non-executive Directors are Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul; the independent non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.