



SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

中國創新投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1217)

**MEMORANDUM OF UNDERSTANDING –
INVESTMENT IN OPTOELECTRONIC PROJECTS OF
CHINA NORTH INDUSTRIES GROUP CORPORATION**

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

This announcement is made pursuant to Rule 13.09 (1) of the Listing Rules.

The Board is pleased to announce that on 7 January 2008, the Company entered into the non-legally binding MOU with the Optoelectronic Bureau of中國兵器工業集團公司(China North Industries Group Corporation*) (“CNGC”), pursuant to which the Company has been granted the first right of refusal to invest in two optoelectronic projects under CNGC in the PRC, namely LED Lighting Project and Solar Cell Project. In addition, the Company has also been granted a first right of refusal to invest in the projects of Northern Optoelectronic Capital Restructuring and a right to introduce strategic investor(s) for the said projects.

CNGC is a state-owned key enterprise under the direct administration of Central Government and a military organization authorized by the State. CNGC is principally engaged in the manufacturing of military equipments and weapons and is the largest weapon-manufacturing group in the PRC. One of CNGC’s objectives is to apply its advanced military products technologies for civil and commercial uses and it has developed certain successful civil products with the application of advanced technologies initially developed for military products. In 2006, CNGC has formulated a business strategy with a focus on the development of (i) heavy equipment, automobile and auto parts; (ii) petro-chemical engineering and special chemical engineering; and (iii) optoelectronic materials and equipment, and the principal objective of which is to accelerate the civil applications of advanced military technologies. Given the reputation and technological expertise of CNGC in military products and national defense equipment, the Directors (including the independent non-executive Directors) are of the view that, the potential investment in the optoelectronic projects under CNGC presents a good opportunity for the Group to participate in the military industry in the PRC. It is expected that the reputation and status of the Company in the military industry in the PRC will be further enhanced if the investments are consummated.

* For identification purpose only

The MOU

The Board is pleased to announce that on 7 January 2008, the Company entered into the non-legally binding MOU with the Optoelectronic Bureau of 中國兵器工業集團公司 (China North Industries Group Corporation*) (“CNGC”), pursuant to which the Company has been granted the first right of refusal to invest in two optoelectronic projects under CNGC in the PRC, namely LED Lighting Project and Solar Cell Project. In addition, the Company has also been granted a first right of refusal to invest in the projects of Northern Optoelectronic Capital Restructuring and a right to introduce strategic investor(s) for the said projects.

Information of CNGC

CNGC is a state-owned key enterprise under the direct administration of Central Government and is a military organization authorized by the State. CNGC is principally engaged in the manufacturing of military equipments and weapons and is the largest weapon-manufacturing group in the PRC. In addition, CNGC is also engaged in the research and development of advanced technological military equipment (e.g. air defence anti-missiles, night vision information systems and precision striking missiles etc.). One of CNGC’s objectives is to apply its advanced military technologies for civil and commercial uses. It has developed certain successful civil products with the application of advanced technologies initially developed for military products. To the best of Directors’ knowledge, information and belief and having made all reasonable enquiries, CNGC is an Independent Third Party.

In 2006, CNGC has formulated a business strategy with a focus on the development of (i) heavy equipment, automobile and auto parts; (ii) petro-chemical engineering and special chemical engineering; and (iii) optoelectronic materials and equipment, and the principal objective of which is to accelerate the civil applications of advanced military technologies. In line with this business strategy, CNGC has been investing in enterprises engaged in upstream and downstream along the supply chain so as to strengthen its technological and manufacturing capabilities. As such, CNGC, in 2006, has invested in SMOTL and Yunnan Tianda for the sector of optoelectronic materials and equipment.

LED Lighting Project

LED is a semiconductor diode that emits narrow-spectrum lights when connected with an electric circuit. When compared with traditional fluorescent bulbs, LEDs produce more light per watt at lower costs and have a relatively longer life. According to studies on LEDs and traditional light bulbs, LEDs consume only one-tenth of the energy but can be used 100 times longer hours as compared with traditional fluorescent light bulbs. LEDs do not contain mercury, while many compact fluorescent lamps do and, accordingly, LEDs are considered more environmental friendly.

SMOTL is principally engaged in the manufacturing of LED chip, LED light and LED display products and the research and development of LED light technology. In January 2006, CNGC invested in SMOTL through its subsidiaries and the name was then changed to its current name. Currently, SMOTL is a sino-foreign equity joint venture which has a total registered capital of RMB40 million. Based in Shanghai, SMOTL was awarded the “high technology enterprise” by Shanghai City Committee of Science and Technology and the “institution of technology development in Pudong New District” by the Peoples’ Government of Pudong New District of Shanghai City. The total gross floor area of its manufacturing plant is approximately 5,000 sq.m. and has the capacity to produce 100,000 LED chips per month. Being a “high technology” enterprise, SMOTL produces different types of LED chips, LED lamps, LED display

products and LED lightings which are exported to a number of countries including U.S., Germany and Sweden. CNGC intends to further invest in approximately RMB350 million in SMOTL to strengthen its production lines and facilities and improve its products' technological level. In addition, SMOTL will further specialize on the development of LED chip processing, LED packaging and application of LED to national defense products as a result of further investment from CNGC.

According to the MOU, the Company has been granted the first right of refusal to invest in SMOTL up to RMB50 million (equivalent to approximately HK\$52.5 million) upon the capital restructuring of SMOTL. Valuation of the investment will be based on a premium of 20% over the audited net asset value of SMOTL as at a date to be agreed by both parties. CNGC will arrange for listing of SMOTL on a recognised stock exchange within three years from the Group's investment. In case the said listing does not proceed within the above time frame, the Group's investment will be repurchased at a premium.

Solar Cell Project

A solar cell or photovoltaic cell is a device that converts sunlight into electricity by the photoelectric effect. Photovoltaics ("PV") is a solar power technology that uses solar cells or solar photovoltaic arrays to convert sunlight into electricity. It also refers to the field of technology and research related to the application of solar cells. Compared with traditional power generators using coal to generate electricity, using solar cells to generate electricity is considered to be safer, environmental friendly with less installation costs and maintenance costs required.

Yunnan Tianda is principally engaged in the manufacturing, sale and installation of solar modules and PV systems in the PRC. It is particularly specialized in the research and production of monocrystalline silicon solar cells and modules. It has installed more than 10,000 high-quality solar cell power stations in the PRC and over 20 countries and regions in the world. Being considered as a "high-technology" enterprise, Yunnan Tianda has received over 20 international and domestic awards for its achievement in solar cell and modules technology. CNGC plans to invest approximately RMB500 million (equivalent to approximately HK\$525 million) into Yunnau Tianda to improve its production lines and facilities, strengthen its reseach and development capability and broaden the application of solar modules to power inverters, solar power thermal system, solar power lighting system, power generators for army information system, alert system for the forest-fire and power generators for border stationed army.

According to the MOU, the Company has been granted the first right of refusal to invest in Yunnan Tianda up to RMB150 million (equivalent to approximately HK\$157.5 million). Valuation of the investment will be based on a premium of 20% over the audited net asset value of Yunnan Tianda as at a date to be agreed by both parties. CNGC will arrange for listing of Yunnan Tianda on a recognised stock exchange within three years from the Group's investment. In case the said listing does not proceed within the above time frame, the Group's investment will be repurchased at a premium.

Northern Optoelectronic Capital Restructuring

In addition to the above two projects, the Company has also been granted a first right of refusal to invest in the projects of Northern Optoelectronic Capital Restructuring and a right to introduce strategic investor(s) for the said projects. Valuation of the investment will be based on a premium of 20% over the consolidated audited net asset value of the said projects as at a date to be agreed by both parties.

Reasons for entering into the MOU

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.

As stated in the section headed “Information on CNGC” above, CNGC in 2006 has formulated a business strategy focusing on the development of three areas and optoelectronic industry is one of the key areas of development. Given the reputation and technological expertise of CNGC in military product and national defense equipment, the Directors (including the independent non-executive Directors) are of the view that, the potential investment in the optoelectronic projects under CNGC presents a good opportunity for the Group to participate in the military industry in the PRC. It is expected that the reputation and status of the Company in the military industry in the PRC will be further enhanced if the investments are consummated.

General

This announcement is intended to set out the salient features of the MOU. 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.

In the event of the consummation of the transactions contemplated under the MOU, the subject transactions may constitute notifiable transactions for the Company under Rule 14.06 of the Listing Rules. As the subject transactions 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

“Board”	the board of Directors
“CNGC Optoelectronic Projects”	all of the optoelectronic enterprises under the management and administration of CNGC save for the LED Lighting Project and Solar Cell Project and will be subject to capital restructuring
“Company”	Sino Technology Investments Company Limited 中國創新投資有限公司, 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, if any, 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 (which has the same meaning as defined in the Listing Rules)
“LED”	light emitting diodes, a semiconductor diode that emits light when connected with an electric circuit
“LED Lighting Project”	one of the CNGC’s military optoelectronic projects under the MOU and relating to the Group’s investment opportunity in respect of SMOTL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 7 January 2008 entered into between the Company and CNGC on the possible investment in the optoelectronic projects of CNGC
“Northern Optoelectronic Capital Restructuring”	the overall capital restructuring of CNGC’s investments in optoelectronic industry save for the LED Lighting Project and Solar Cell Project
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the Share(s)
“SMOTL”	上海大晨光電科技有限公司 (Shanghai Morning Optoelectronic Technology Limited*), formerly known as 上海金橋大晨光電科技有限公司 (Shanghai Golden Bridge Morning Optoelectronic Technology Limited*), a company incorporated in the PRC with limited liability and is one of the investments of CNGC
“Solar Cell Project”	one of the CNGC’s military optoelectronic projects under the MOU and relating to the Group’s investment opportunity in respect of Yunnan Tianda
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“U.S.”

United States of America

“Yunnan Tianda”

雲南天達光伏科技股份有限公司 (Yunnan Tianda Photovoltaic Co. Ltd.*), a company incorporated in the PRC with limited liability, an Independent Third Party

By order of the Board

SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED

Xiang Xin

Executive Director and Chief Executive Officer

Hong Kong, 7 January 2008

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 = HK\$1.05 for illustration purpose only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rates.

As at the date of this announcement, the executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Wong Chak Keung; 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.