

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 204 OF 2007

In the matter of Radford Capital Investment Limited (萊福資本投資有限公司)

And in the matter of the Companies Law (2004 Revision)

And Grand Court Rules 1995 Order 102

AMENDED PETITION

TO: The Grand Court of the Cayman Islands

THE AMENDED PETITION of Radford Capital Investment Limited (萊福資本投資有限公司) shows as follows:

1. The object of this Amended Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2004 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner **Radford Capital Investment Limited (萊福資本投資有限公司)** (the "Company").
2. The Company was incorporated under the Companies Law on 14 August, 2001 with the name "Radford Capital Investment Limited" and registered in the Cayman Islands as an exempted company with registration number CR-112241. On 20 September, 2001, the name of the Company was first changed from "Radford Capital Investment Limited" to "Radford Capital Limited" and then to "Radford Capital Investment Limited (萊福資本投資有限公司)".

3. The registered office of the Company is situated at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
4. As at the date of incorporation of the Company, its authorised share capital was HK\$100,000,000 divided into 5,000,000,000 ordinary shares of a nominal or par value of HK\$0.02 each. On 14 August, 2001, one (1) ordinary share of HK\$0.02 was allotted and issued fully paid.
5. By resolutions of the then shareholders of the Company passed on 7 February, 2005, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.02 each. On 16 February, 2005, the Company undertook a reorganisation whereby a special resolution of shareholders passed on 18 May, 2005 every ten Shares of HK\$0.02 each were consolidated in one share of HK\$0.20 and, pursuant to an order of the Grand Court dated 22 August, 2005, HK\$0.18 in every issued share of HK\$0.20 was cancelled. Further each unissued share of HK\$0.20 was sub-divided into ten shares of HK\$0.02. Effective from 3 January, 2006, every two issued and unissued shares of HK\$0.02 each in the capital of the Company were consolidated into one share ("Share") of HK\$0.04.
6. The Shares have been listed on The Stock Exchange of Hong Kong Limited since 28 February, 2002. Over the years, the Company has allotted and issued various tranches of ordinary shares, being the only class of shares of the Company. As at the date of this amended petition, the authorised share capital of the Company is HK\$200,000,000 divided into 5,000,000,000 ~~ordinary s~~Shares ~~and its issued share capital is HK\$56,815,762 divided into 1,420,394,050 ordinary shares of HK\$0.04 each.~~ As stated in paragraphs 7 to 10 of the second affidavit of Nakajima Toshiharu dated 8 June, 2007 (the "Second Affidavit"), there have been changes in the issued share capital of the Company since the date of the first affidavit of Nakajima Toshiharu dated 3 May, 2007 (the "First Affidavit"). Subsequent to the date of the First Affidavit, the Company has issued additional Shares upon the conversion of convertible notes issued by the Company

to certain investors so that immediately after the Conversion, the issued share capital of the Company was increased to HK\$80,815,762 divided into 2,020,394,050 Shares. In addition, the Company has agreed to issue and Pearl Decade Limited has agreed to subscribe for 284,078,810 Shares pursuant to a subscription agreement (the "Subscription Agreement") entered into between the parties on 29 May, 2007. If completion of the Subscription takes place on or prior to the date of registration of the Minute described in paragraph 13(b) of this amended petition, the issued share capital of the Company will be enlarged to HK\$92,178,914.40 divided into 2,304,472,860 Shares before the proposed Share Consolidation and Capital Reduction takes effect. The authorized share capital of the Company will remain unchanged, and its issued share capital is HK\$56,815,762 divided into 1,420,394,050 ordinary shares of HK\$0.04 each.

7. The objects for which the Company was formed are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as provided in section 7(4) of the Companies Law.
8. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 4      *"The Company may from time to time by ordinary resolution in accordance with the Law alter the conditions of its Memorandum to:*

- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;*
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;*
- (c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions*

*or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";*

*(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Law), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;*

*(e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled subject to the provisions of the Law."*

Article 6

*"The Company may from time to time by special resolution, subject to any confirmation or consent required by the Law, reduce its share capital or any share premium account or any capital redemption reserve or other undistributable reserve in any manner permitted by the Law."*

9. By a special resolution of the Company duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 30 March, 2007 (the "Extraordinary General Meeting"), it was resolved:

*"THAT, conditional upon (i) confirmation of the Capital Reduction (as defined below) by the Grand Court (the "Court") of the Cayman Islands, registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, shares of HK\$0.02 each in the issued share capital of the Company upon the date (the "Effective Date") on which the Capital Reduction (as defined below) becomes effective:*

- (a) *every five shares of HK\$0.04 each in the issued and unissued share capital of the Company be consolidated into one share (each a "Consolidated Share") of HK\$0.20 each in the share capital of the Company (the "Share Consolidation");*
- (b) *the issued share capital of the Company be reduced by cancelling paid-up capital to the extent of HK\$0.18 on each Consolidated Share in issue on the Effective Date (the "Capital Reduction") so that the nominal value of each issued Consolidated Share be reduced from HK\$0.2 to HK\$0.02 (each a "New Share") and that the amount of issued capital hereby cancelled be made available for issue of the New Shares so that the authorized capital of the Company of HK\$200,000,000.00 remains unchanged on the Effective Date;*

- (c) *subject to and forthwith upon the Capital Reduction becoming effective, the authorized but unissued share capital of the Company shall be sub-divided by sub-dividing each of the authorised but unissued Consolidated Shares of HK\$0.20 each in the capital of the Company into ten New Shares of HK\$0.02 each in the capital of the Company (the "Subdivision");*
- (d) *subject to and forthwith upon the Capital Reduction becoming effective, the credit amount arising from the Capital Reduction be applied to a distributable reserve of the Company where it may be utilised by the directors of the Company in accordance with the articles of association of the Company and all applicable laws, including to eliminate the accumulated losses of the Company as at the Effective Date (the "Application of Credit"); and*
- (e) *the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Share Consolidation, the Capital Reduction, the Subdivision and the Application of Credit."*

Each of the capitalised terms referred to in the special resolution above are defined in the information circular exhibited to the affidavit of Mr. Nakajima Toshiharu.

10. The number of members of the Company present and voting in person or by proxy at the Extraordinary General Meeting was as set out in the table below:-

	Present & Voting	For	Against
How Present	No.	No.	No.
In person	3	3	0
By proxy	7	7	0

Total	10	10	0
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As appears from the table, the Extraordinary General Meeting was attended in person or by proxy by 10 members, representing 1,259,431,744 voting shares of the Company and approximately 88.67% of the total number of voting shares of the Company, all of whom voted in favour of the resolution and no member voted against the resolution. Therefore the members present and voting by proxy at the Extraordinary General Meeting represent in excess of three-fourths of the votes cast for the resolutions approved the Capital Reduction in accordance with the Articles of Association of the Company.

11. There was an audited accumulated loss of about HK\$128.4 million as shown in the audited accounts of the Company for the year ended 31 December, 2006. The purpose of the proposed Capital Reduction is to enable the Company to apply the credit or part thereof arising from the Capital Reduction to a distributable reserve of the Company where it may be utilized by the directors of the Company in accordance with the articles of association of the Company and all applicable laws, including to eliminate the accumulated losses of the Company as at the Effective Date. The Capital Reduction will also provide greater flexibility in pricing future capital raising exercises when circumstances arise.
12. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. Furthermore, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company nor will it affect the proportionate interests of the shareholders.

~~13. The form of Minutes proposed to be registered is as follows:~~

~~13. (a) If the Subscription described in paragraph 6 of this amended petition and paragraphs 9 and 10 of the Second Affidavit is not completed on or prior to the~~

date of registration of the Minute, the form of the Minute proposed to be registered is as follows:-

*"The issued share capital of Radford Capital Investment Limited (萊福資本投資有限公司) was by virtue of a Special Resolution passed on 30 March, 2007 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [●], 2007, reduced from HK\$56,815,762 to 80,815,762 divided into 284,078,810 to 404,078,810 ordinary shares of HK\$0.20 each to HK\$5,681,576 to 208,081,576.20 divided into 284,078,810 to 404,078,810 ordinary shares of HK\$0.02 each and that the amount of issued capital hereby cancelled be made available for issue of ordinary shares of HK\$0.02 each, so that the authorized capital of the Company of HK\$200,000,000.00 remains unchanged. At the date of the registration of this Minute all such ordinary shares of HK\$0.02 each have been issued and are fully paid up or deemed to be fully paid up.*

*The authorised share capital of the Company, on the registration of this Minute, is HK\$200,000,000.00."*

- (b) If the Subscription described in paragraph 6 of this amended petition and paragraphs 9 and 10 of the Second Affidavit is completed on or prior to the date of registration of the Minute, the form of the Minute proposed to be registered is as follows:-

*"The issued share capital of Radford Capital Investment Limited (萊福資本投資有限公司) was by virtue of a Special Resolution passed on 30 March, 2007 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [●], 2007, reduced from HK\$92,178,914.40 divided into 460,894,572 ordinary shares of HK\$0.20 each to HK\$9,217,891.44 divided into 460,894,572 ordinary*

shares of HK\$0.02 each and that the amount of issued capital hereby cancelled be made available for issue of ordinary shares of HK\$0.02 each, so that the authorized capital of the Company of HK\$200,000,000.00 remains unchanged. At the date of the registration of this Minute all such ordinary shares of HK\$0.02 each have been issued and are fully paid up or deemed to be fully paid up.

The authorised share capital of the Company, on the registration of this Minute, is HK\$200,000,000.00."

Your Petitioner, the Company, therefore prays as follows:

- (1) That the Capital Reduction of the Company proposed to be effected by the special resolution set forth in paragraph 9 of this Petition may be confirmed and that the above-mentioned Minute may be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

NOTE: It is intended to serve this Amended Petition on Radford Capital Investment Limited (萊福資本投資有限公司), at its registered office located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

DATED THIS 11 DAY OF JUNE, 2007.

  
**CHARLES ADAMS, RITCHIE & DUCKWORTH**  
Attorneys-at-Law for the Petitioner herein

| This Amended Petition was filed by Charles Adams, Ritchie & Duckworth, Attorneys-at-Law for and on behalf of the Applicant herein whose address for service is that of its Attorneys, P.O. Box 709GT, Zephyr House, Mary Street, George Town, Grand Cayman, Cayman Islands.

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