

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. *0602* OF 2008

IN THE MATTER OF CHINA SCI-TECH HOLDINGS LIMITED

AND in the matter of the Companies Law (2007 Revision)

AND the Grand Court Rules 1995 Order 102

PETITION

TO: The Grand Court of the Cayman Islands

THE PETITION of CHINA SCI-TECH HOLDINGS LIMITED shows as follows:

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2007 Revision) (the "Companies Law") confirming a reduction of the share capital of your Petitioner CHINA SCI-TECH HOLDINGS LIMITED (the "Company").
2. The Company was incorporated under the Companies Law on 11 November, 1993 with the name "CONTRAD INTERNATIONAL HOLDINGS LIMITED" and registered in the Cayman Islands as an exempted company with registration number CR-51326. On 2 December, 1997, the name of the Company was changed from "CONTRAD INTERNATIONAL HOLDINGS LIMITED" to "CHINA SCI-TECH HOLDINGS LIMITED".
3. The registered office of the Company is situated at the offices of Caledonian Trust (Cayman) Limited, Ground Floor, Caledonian House, Mary Street, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands.
4. Upon the date of incorporation of the Company, its authorised share capital was Hong

- Kong dollars (“HK\$”) 60,000,000 divided into 600,000,000 shares of a nominal or par value of HK\$0.10 each.
5. By an ordinary resolution passed on 28 September, 1998, the authorised share capital of the Company was increased from HK\$60,000,000 to HK\$100,000,000 by the creation of an additional 400,000,000 shares of HK\$0.10 each.
  6. By an ordinary resolution passed on 30 July, 1999, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$500,000,000 by the creation of additional 4,000,000,000 shares of HK\$0.10 each.
  7. By an ordinary resolution passed on 11 November, 1999, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$1,000,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.10 each.
  8. On 11 July, 2001, a special resolution was passed by the shareholders of the Company at its extraordinary general meeting to, conditional upon fulfillment of certain conditions set out in the notice of extraordinary general meeting of the Company dated 18 June, 2001:
    - (a) reduce the issued share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.09 on each then existing issued share of HK\$0.10 each of the Company (the “2001 Capital Reduction”); and
    - (b) reduce the nominal value of all of the unissued shares of HK\$0.10 each of the Company to HK\$0.01 each and by reducing the authorised share capital of the Company from HK\$1,000,000,000 to HK\$100,000,000 (the “2001 Authorised Capital Diminution”).
  9. By an ordinary resolution passed on 11 July, 2001, conditional upon the 2001 Capital Reduction and 2001 Authorised Capital Diminution becoming effective, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000

- by the creation of an additional 10,000,000,000 shares of HK\$0.01 each (the “2001 Authorised Capital Increase”).
10. The 2001 Capital Reduction, 2001 Authorised Capital Diminution and 2001 Authorised Capital Increase became effective on 15 November, 2001 after all of the conditions thereto, including confirmation of the 2001 Capital Reduction by this Honourable Court, were fulfilled.
  11. By an ordinary resolution passed on 24 September, 2004, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$500,000,000 by the creation of an additional 30,000,000,000 shares of HK\$0.01 each.
  12. By an ordinary resolution passed on 10 March, 2005, every 10 issued and unissued shares of HK\$0.01 each of the Company was consolidated into one consolidated share of HK\$0.10 each.
  13. By an ordinary resolution passed on 3 August, 2007, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$5,000,000,000 by the creation of an additional 45,000,000,000 shares of HK\$0.10 each.
  14. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2 February, 1994. Over the years, the Company has allotted and issued various tranches of ordinary shares, being the only class of shares of the Company in issue. As at the date of this Petition, the authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 shares of a nominal or par value of HK\$0.10 each and its issued share capital is HK\$1,326,621,265.00 divided into 13,266,212,650 shares of HK\$0.10 each.
  15. The objects for which the Company was established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of The Companies Law (2007 Revision) of the Cayman Islands.

16. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 54 “The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of the shares to be consolidated determine which particular shares are to be consolidated into each consolidated share and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company’s benefit;

- (ii) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of the Law; and so that the resolution whereby any share is sub-divided may 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 or other special rights over or may have such deferred rights or be subject

to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; and

- (iii) 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.

Article 55 The Company may by special resolution reduce its capital, any capital redemption reserve or any share premium account in any manner prescribed by the Law.”

- 17. By a special resolution of the Company (the "Special Resolution") duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 20 November, 2008 (the "Extraordinary General Meeting"), it was resolved:

“THAT, conditional upon (i) approval by the Grand Court of Cayman Islands (the “Court”) of the Capital Reduction (as defined below), 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\$0.10 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) the issued share capital of the Company be reduced by cancelling paid up capital to the extent of HK\$0.096 on each of the shares in issue as of the Effective Date (the “Capital Reduction”) so that each issued share of HK\$0.10 in the capital of the Company shall be treated as one fully paid up share of HK\$0.004 in the

- capital of the Company (“Reduced Share”) and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital hereby cancelled be made available for issue of new shares of the Company so that the authorised capital of the Company of HK\$5,000,000,000 remains unchanged on the Effective Date;
- (B) subject to and forthwith upon the Capital Reduction becoming effective, every twenty five issued Reduced Shares of HK\$0.004 each be consolidated into one consolidated share of HK\$0.10 (“Consolidated Share”) and any fraction of Consolidated Shares arising from the share consolidation shall not be allocated to the holders of the Reduced Shares otherwise entitled thereto but such fractions shall be aggregated and be sold for the benefit of the Company (“Share Consolidation”);
- (C) the credit arising from the Capital Reduction be applied towards cancelling the accumulated deficit of the Company (if any) with the entire amount or the balance to be transferred to the capital reduction reserve account of the Company where it may be utilised by the directors of the Company in the same manner as other reserve accounts of the Company (such as share premium account and capital redemption account) in accordance with the articles of association of the Company and all applicable laws;
- (D) all of the Consolidated Shares resulting from the Capital Reduction and Share Consolidation shall rank *pari passu* in all respects and have the rights and privileges and be subject to the restrictions contained in the Company’s articles of association; and
- (E) the directors of the Company be and are hereby authorised generally to do all things they may consider appropriate and desirable to effect and implement the

Capital Reduction, Share Consolidation and application of credit arising from the Capital Reduction (together with “Capital Reorganisation”).”

Each of the capitalised terms referred to in the Special Resolution above is defined in the information circular exhibited to the affirmation of Kwan Kam Hung Jimmy (“KKHJ-6”).

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

	<b>Present &amp; Voting</b>	<b>For</b>	<b>Against</b>
<b>How Present</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
In person/by			
Corporate	20 members	20 members	0 member
representatives			
<b>Total</b>	<b>20 members</b>	<b>20 members</b>	<b>0 member</b>

As appeared from the table, the Extraordinary General Meeting was attended in person or by corporate representatives or by proxy by 20 members, all of whom voted in favour of the resolution. The resolution was voted on by way of show of hands and the members present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting, representing more than three-fourths of the votes cast for the resolution, approved the Capital Reduction and therefore the chairman of the Extraordinary General Meeting declared the resolution passed in accordance with the Articles of Association of the Company.

19. The Company had an audited accumulated loss of about HK\$612,307,877.50 as at 31 March, 2008. Based on the latest unaudited accounts of the Company for the seven months ended 31 October, 2008 (the “October Accounts”), there were unaudited

accumulated losses of about HK\$654,682,253.16. The credit arising from the Capital Reduction (as defined below) will be used to cancel the accumulated losses of the Company with the balance to be transferred to the capital reduction reserve account of the Company where it may be utilised by the directors of the Company in the same manner as the Company's other reserve accounts (such as share premium account and capital redemption account) in accordance with the Articles of Association of the Company and all applicable laws. It is expected that the accumulated losses of the Company will be eliminated after the Capital Reduction (as defined below). The existing shares of the Company have been trading at a price below its nominal value of HK\$0.10 each since 12 June, 2008. Pursuant to rule 13.64 of the Rules Governing the Listing of Securities on the Stock Exchange, the Stock Exchange may reserve the right to require the Company to proceed with a consolidation of its shares. Under the Companies Law of the Cayman Islands, it is not permissible for a Cayman Islands incorporated company to issue shares at a discount to the nominal value of its shares unless in compliance with section 35 of the Companies Law of the Cayman Islands, which includes, inter alia, requirements to obtain authorization of members of the Company and sanction by this Honourable Court. As such, upon the Capital Reduction (as defined below) becoming effective, the Company will have greater flexibility in pricing any new issue of shares for possible future capital fund-raising exercises as and when appropriate.

20. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital and the Company has no intention to make any payment of paid up capital to any shareholder. 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 of the Company.

21. The form of Minute proposed to be registered is as follows:-

*“The issued share capital of CHINA SCI-TECH HOLDINGS LIMITED (the ‘Company’) was by virtue of a Special Resolution passed on 20 November, 2008 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [ ], 2008, reduced from*

HK\$1,326,621,265.00 divided into 13,266,212,650 ordinary shares of HK\$0.10 each to HK\$53,064,850.60 divided into 13,266,212,650 ordinary shares of HK\$0.004 each (the "Capital Reduction"). Upon the Capital Reduction becoming effective, every twenty-five issued shares of the Company with a par value of HK\$0.004 each in the share capital of the Company shall be consolidated into one issued new share with a par value of HK\$0.10 each in the share capital of the Company. At the date of the registration of this Minute, the authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each, of which 530,648,506 ordinary shares of HK\$0.10 each have been issued and are fully paid or credited as fully paid."

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 17 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 Petition on CHINA SCI-TECH HOLDINGS LIMITED, at its registered office located at the offices of Caledonian Trust (Cayman) Limited, Ground Floor, Caledonian House, Mary Street, P. O. Box 1043, George Town, Grand Cayman, Cayman Islands.

DATED THIS 22<sup>nd</sup> DAY OF DECEMBER, 2008.

*Conyers Dill and Pearman.*

**CONYERS DILL & PEARMAN**  
Attorneys-at-Law for the Petitioner herein

Notice of Hearing

This Petition having been presented to the Court on the \_\_\_\_\_ day of \_\_\_\_\_, 2008 will be heard at the Law Courts, George Town, Grand Cayman on the 29<sup>th</sup> day of March 2009 at 10:00 am/pm or as soon thereafter as the Petition can be heard.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its Attorneys, Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.