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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sino InfoTech Holdings Limited, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of Sino InfoTech Holdings Limited.

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SINO INFOTECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

MAJOR AND CONNECTED TRANSACTION

in relation to disposal of interests in Wu Holdings Limited

**Independent financial adviser to
the independent non-executive directors of Sino InfoTech Holdings Limited**

MANAGEMENT CAPITAL LIMITED

A letter from the board of directors of the Company is set out on pages 4 to 12 of this circular. A letter from the independent non-executive directors of the Company is set out on page 13 of this circular. A letter from Management Capital Limited, the independent financial adviser to the independent non-executive directors, is set out on pages 14 to 24 of this circular.

A notice convening a special general meeting of Sino InfoTech Holdings Limited to be held at Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong at 10:00 a.m. on Friday, 1st March, 2002 is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not prejudice you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

25th January, 2002

CONTENTS

	<i>Pages</i>
Definitions	1
 Letter from the board of Directors	
1. Introduction	4
2. The Agreement	5
3. Information on Wu Holdings	8
4. Reasons for, and benefits expected to accrue to the Company from, the realisation of the Sale Shares	8
5. Financial effects	9
6. Use of proceeds	9
7. Financial and trading prospects of the Group	9
8. Other material aspects of the transaction	10
9. Listing Rules implications	10
10. Special General Meeting	11
11. Recommendation	11
12. Additional information	12
 Letter from the Independent Directors	13
 Letter from Management Capital Limited	14
 Appendix I – Financial information of the Group	25
 Appendix II – General information	26
 Notice of the Special General Meeting	31

DEFINITIONS

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

“Agreement”	means the agreement dated 31st December, 2001 entered into between Sino Communications and Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) in respect of the sale by Sino Communications of the Sale Shares to Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust);
“associate”	has the meaning ascribed thereto under the Listing Rules;
“Bermuda Trust”	means Bermuda Trust (Cook Islands) Limited, a company incorporated in the Cook Islands;
“Company”	means Sino InfoTech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which is principally engaged in investment holding and whose shares are listed on the Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Deposit”	means the sum of US\$128,205 (i.e., approximately HK\$1,000,000) paid by Bermuda Trust to Sino Communications on 2nd January, 2002 as part of the consideration under the Agreement;
“Directors”	means the directors of the Company (including the Independent Directors);
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Directors”	means the independent non-executive Directors, namely, Messrs. FU Fengxiang and YANG Lang, appointed to advise the independent shareholders of the Company in connection with the Agreement and the transactions contemplated thereunder;

DEFINITIONS

“Latest Practicable Date”	means 24th January, 2002, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Capital Limited”	means the independent financial adviser to the Independent Directors and is an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong);
“NASDAQ”	means National Association of Securities Dealers Automated Quotations;
“PRC”	means People’s Republic of China, save that, unless the context otherwise requires, references in this circular to the PRC do not include Hong Kong, Taiwan or Macau;
“Qiao Xing”	means Qiao Xing Universal Telephone, Inc., an international business company which is incorporated in the British Virgin Islands with limited liability and whose shares are listed on the NASDAQ National Market in the United States of America;
“Qiao Xing Shares”	means shares of common stock of par value US\$0.001 each in the share capital of Qiao Xing;
“Qiao Xing Trust”	means a trust known as “The Qiao Xing Trust” established and constituted by a deed of settlement dated 17th July, 1998;
“RMB”	means Reminbi, the lawful currency of the PRC;
“Sale Shares”	means the 2,884 ordinary shares with a par value of US\$1.00 each in the capital of Wu Holdings held by Sino Communications;
“SDI Ordinance”	means the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong);
“Sino Communications”	means Sino Communications Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;

DEFINITIONS

“Special General Meeting”	means the special general meeting of the Company to be convened and held on 1st March, 2002 for the purposes of considering and approving, inter alia, the Agreement and the transactions contemplated thereunder;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“US\$”	means United States dollars, the lawful currency of the United States of America;
“Wu Holdings”	means Wu Holdings Limited, an international business company incorporated in the British Virgin Islands with limited liability; and
“%”	means per cent.

For the purpose of this circular, conversion of US dollars and RMB into Hong Kong dollars is calculated at the approximate exchange rate of US\$1.00 to HK\$7.80 and HK\$1.00 to RMB1.064, respectively, for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

LETTER FROM THE BOARD OF DIRECTORS



SINO INFOTECH HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Executive Directors:

YEH Shuen Ji
XU Xiaolu
WANG Boming
ZHANG Zhifang
DAI Xiaojing
KAM Anais
WU Ruilin

Independent non-executive Directors:

FU Fengxiang
YANG Lang

Registered Office:

P.O. Box 1787
Second Floor
One Capital Place
Grand Cayman
Cayman Islands
British West Indies

Principal Office:

Flat 12-16
5th Floor, Block A
Focal Industrial Centre
21 Man Lok Street
Hung Hom
Kowloon
Hong Kong

25th January, 2002

To the shareholders of the Company

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION in relation to disposal of interests in Wu Holdings Limited

1. INTRODUCTION

Reference was made to an announcement dated 4th January, 2002 issued by the Company in which it was announced that on 31st December, 2001, Sino Communications, a wholly-owned subsidiary of the Company, entered into the Agreement with Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust), pursuant to which Sino Communications has conditionally agreed to sell, and Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) has conditionally agreed to purchase, the Sale Shares, which represent approximately 28.84% of the entire issued share capital of Wu Holdings as at the date hereof, for a consideration of US\$5,133,520 (i.e., approximately HK\$40,041,456).

LETTER FROM THE BOARD OF DIRECTORS

The transaction contemplated under the Agreement constitutes a major and connected transaction of the Company under the Listing Rules and is conditional upon approval by the independent shareholders of the Company in the Special General Meeting.

As Mr. Wu Ruilin, an executive Director, is the protector and one of the discretionary objects of Qiao Xing Trust, Bermuda Trust (acting in its capacity as the trustee of Qiao Xing Trust) is an associate of Mr. Wu Ruilin, and, hence, a connected person of the Company. Accordingly, the entry into the Agreement also constitutes a connected transaction for the Company under the Listing Rules and is conditional upon approval by independent shareholders of the Company at the Special General Meeting. However, as no shareholder of the Company is interested in the transactions contemplated by the Agreement, no shareholder is required to abstain from voting at the Special General Meeting.

The purpose of this circular is to provide the shareholders of the Company with further information in relation to the Agreement and the transactions contemplated thereunder so as to enable them to vote on the resolution set out in the notice of the Special General Meeting. The recommendations of the Independent Directors to the independent shareholders of the Company are set out on page 13 of this circular. A copy of the letter from Management Capital Limited containing its advice in relation to the aforesaid is set out on pages 14 to 24 of this circular.

2. THE AGREEMENT

Date: 31st December, 2001

Parties:

Vendor: Sino Communications, a wholly-owned subsidiary of the Company

Purchaser: Bermuda Trust, in its capacity as the trustee of Qiao Xing Trust

Interests to be realised:

Pursuant to the Agreement, Sino Communications has conditionally agreed to sell the Sale Shares (i.e., 2,884 ordinary shares with a par value of US\$1.00 each in the capital of Wu Holdings, representing approximately 28.84% of the entire issued share capital of Wu Holdings as at the date hereof) to Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust).

The audited net profits before and after taxation and extraordinary items attributable to the Sale Shares were approximately HK\$16 million and HK\$10 million, respectively, for the financial year ended 31st December, 1999 and approximately HK\$26 million and HK\$21 million, respectively, for the financial year ended 31st December, 2000.

LETTER FROM THE BOARD OF DIRECTORS

The audited and unaudited book value of the net tangible assets represented by the Sale Shares were approximately HK\$73.22 million and approximately HK\$74.56 million for the financial year ended 31st December, 2000 and the six month period ended 30th June 2001, respectively. The unaudited share of net profits related to the Sale Shares for the six month period ended 30th June, 2001 was approximately HK\$1.6 million.

Consideration:

Under the Agreement, the total consideration payable for the Sale Shares is US\$5,133,520 (i.e., approximately HK\$40,041,456), representing a discount of approximately 45.3% and approximately 46.3%, respectively, to the audited and unaudited book value of the net tangible assets represented by the Sale Shares for the financial year ended 31st December, 2000 and the six month period ended 30th June, 2001, respectively. Such consideration was determined after arm's length negotiation between the parties and with reference to the attributable interest of Sino Communications in Qiao Xing calculated at a discount of approximately 14.7% to the average closing price of the Qiao Xing Shares listed on the NASDAQ National Market in the United States of America during the period from 1st October, 2001 to 28th December, 2001 (both dates inclusive) (i.e., approximately US\$3.06) and a discount of approximately 48.6% to the closing price of the Qiao Xing Shares listed on the NASDAQ National Market in the United States of America on 31st December, 2001 (i.e., approximately US\$5.08).

The Directors, including the Independent Directors, believe that such consideration is fair and reasonable as far as the Company and its shareholders are concerned.

Payment terms:

Under the Agreement, the consideration is payable in the following manner:

- (a) the Deposit was paid on 2nd January, 2002;
- (b) a second payment, in the sum of US\$1,464,000 (i.e., approximately HK\$11,419,200), is payable within five months from the date of the Agreement (i.e., on or before 31st May, 2002) or within 5 days after the date on which initial completion (as referred to in the paragraph headed "Initial completion" below) takes place (whichever is later); and
- (c) the balance of the consideration, in the sum of US\$3,541,315 (i.e., approximately HK\$27,622,256), is payable on or before 31st October, 2002.

In the event that initial completion (as described in the paragraph headed "Initial completion" below) does not take place solely due to the fault of Sino Communications, it will refund the Deposit to Bermuda Trust (in its capacity as the trustee of Qiao Xing

LETTER FROM THE BOARD OF DIRECTORS

Trust). In the event that initial completion (as described in the paragraph headed “Initial completion” below) does not take place for any other reason, Sino Communications shall be entitled to forfeit the Deposit. In addition to the foregoing, Sino Communications shall also be entitled to retain the Deposit in the manner as described in sub-paragraph (a) under the paragraph headed “Initial completion” below.

Condition:

The Agreement is conditional upon approval by the independent shareholders of the Company being obtained in the Special General Meeting. As no shareholder is interested in the transactions contemplated under the Agreement, no shareholder is required to abstain from voting at the Special General Meeting.

In the event that such condition is not fulfilled on or before 31st May, 2002, the parties shall not be bound to proceed with the sale and purchase of the Sale Shares and the Agreement shall cease to be of any effect except in respect of, inter alia, claims arising out of any antecedent breach of the Agreement.

Initial completion:

On the fifth business day after the condition set out in the paragraph headed “Condition” above is fulfilled, among other things, Sino Communications shall:

- (a) be entitled to retain the Deposit; and
- (b) deliver into the custody of an escrow agent duly executed and undated instruments of transfer in respect of all of the Sale Shares in favour of Bermuda Trust or its nominees on the terms and subject to the conditions as set out in an escrow deed to be entered into, among others, Sino Communications and Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust).

Final completion:

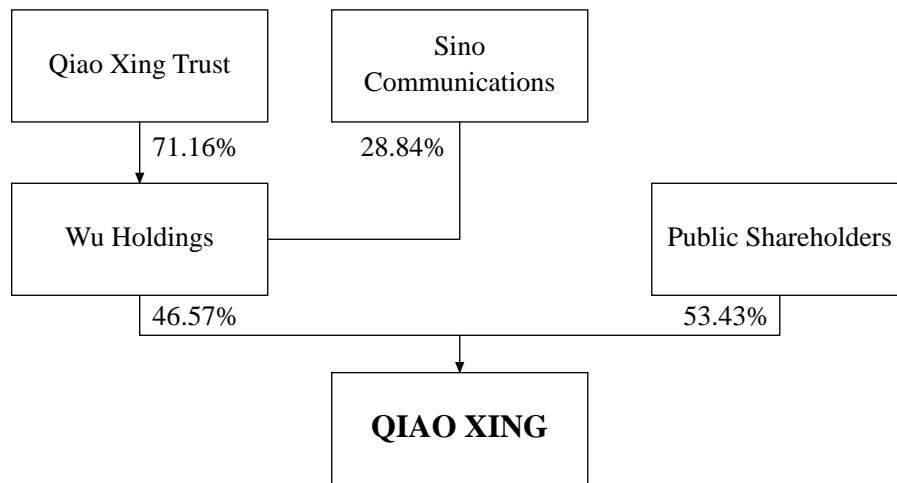
On or before 31st October 2002, Bermuda Trust shall pay the balance of the consideration, in the sum of US\$3,541,315 (i.e., approximately HK\$27,622,256), to Sino Communications. Upon receipt of such sum from Bermuda Trust, Sino Communications shall direct the escrow agent to deliver the relevant instruments of transfer (as referred to in sub-paragraph (b) under the paragraph headed “Initial completion” above) to Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust).

LETTER FROM THE BOARD OF DIRECTORS

3. INFORMATION ON WU HOLDINGS

Wu Holdings is an international business company incorporated in the British Virgin Islands, which is owned as to approximately 71.16% by Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) and as to approximately 28.84% by Sino Communications. It is principally engaged in investment holding, the sole investment of which is its interest in Qiao Xing, which, in turn, is an international business company incorporated in the British Virgin Islands and whose shares are listed on the NASDAQ National Market in the United States of America. As at the Latest Practicable Date, Qiao Xing is owned as to approximately 46.57% (i.e., 6,819,000 Qiao Xing Shares) by Wu Holdings and is principally engaged in the business of manufacturing and sale of telecommunication terminals and equipment in the PRC.

The following diagram shows the shareholding structure of Qiao Xing as of the Latest Practicable Date:



Source: Annual report of Qiao Xing and information available to the Company

4. REASONS FOR, AND BENEFITS EXPECTED TO ACCRUE TO THE COMPANY FROM, THE REALISATION OF THE SALE SHARES

The Directors believe that the realisation of the Sale Shares would enhance the liquidity position of the Group and, should suitable investment opportunities arise, provide funding for future investments. However, the Company does not presently have any specific plans for future investments nor does it presently have any intention to make further disposals or acquisitions in the near future.

The Directors, including the Independent Directors, consider that the terms of the Agreement are fair and reasonable so far as the Company and its shareholders are concerned, and that the realisation is in the commercial interests of the Company.

LETTER FROM THE BOARD OF DIRECTORS

5. FINANCIAL EFFECTS

Net Asset Value:

In terms of the net asset value of the Group, prior to giving effect to the realisation of the Sale Shares under the Agreement, the Group had audited net assets of approximately HK\$137.46 million, or HK\$ 0.15 per share (based on 904,075,000 ordinary shares in issue), as at 31st December, 2000 and unaudited net assets of approximately HK\$126.43 million, or HK\$0.13 per share (based on 1,004,527,778 ordinary shares in issue), as at 30th June, 2001. Assuming that the realisation of the Sale Shares had taken place on 30th June, 2001, the proforma net assets will decrease to approximately HK\$86 million, or approximately HK\$ 0.09 per share (based on 1,004,527,778 ordinary shares in issue), representing a reduction of about 32.4%.

Earnings:

The realisation of the Sale Shares under the Agreement will also have certain impact on the earnings of the Group. Based on the unaudited interim accounts of the Group as at 30th June, 2001, the Group will recognise a loss of approximately HK\$40 million, being the difference between the proceeds from the realisation of the Sale Shares and the total book value of the interest and related goodwill of the Sale Shares.

6. USE OF PROCEEDS

The proceeds from the realisation of the Sale Shares are currently intended to be used for general working capital purposes.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following the disposal of the Sale Shares, it is expected that the Company's principal business activity will continue to be investment holding while that of its subsidiaries will be the design, manufacture and marketing of electronic consumer products (including, pagers, calculators and electronic toys). The Directors expect that the turnover and income of the Group will continue to be principally derived from the design, manufacture and marketing of electronic consumer products (including, pagers, calculators and electronic toys) after the realisation of the Sale Shares and that the business of the Group will not be adversely affected by such realisation.

In view of the fact that the trading and economic environment for the second half of 2001 did not show signs of significant improvement as compared to that for the first half of the year, the Directors intend to improve the financial position of the Group by further reducing costs and by improving its competitive position through the strengthening of production control and its marketing efforts.

LETTER FROM THE BOARD OF DIRECTORS

8. OTHER MATERIAL ASPECTS OF THE TRANSACTION

A shareholders' agreement was entered into on 15th July, 1998 amongst, among others, Sino Communications and Wu Holdings to, among other things, govern the rights and obligations of the shareholders of Wu Holdings. After completion of the realisation of the Sale Shares under the Agreement, Wu Holdings will become wholly and beneficially owned by Qiao Xing Trust. Accordingly, a termination deed will be entered into amongst, among others, Sino Communications, Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) and Wu Holdings to terminate the abovementioned shareholders' agreement, such termination to take effect upon final completion of the realisation of the Sale Shares as described in the paragraph headed "Final completion" above.

9. LISTING RULES IMPLICATIONS

Major Transaction:

As the book value of the net tangible assets represented by the Sale Shares represents more than 50% of the consolidated net tangible asset value of the Group as recorded in the annual report of the Company for the financial year ended 31st December, 2000 (i.e., approximately HK\$131 million) and the consolidated net tangible asset value of the Group as recorded in the interim report of the Company for the six-month period ended 30th June, 2001 (i.e., approximately HK\$121 million), in terms of size, the transaction contemplated under the Agreement constitutes a major transaction of the Company under paragraph 14.09 of the Listing Rules and is conditional upon approval by the independent shareholders of the Company in the Special General Meeting. However, as no shareholder of the Company is interested in the transactions contemplated under the Agreement, no shareholder is required to abstain from voting at the Special General Meeting.

Connected Transaction:

Mr. Wu Ruilin, who is the chief executive officer and chairman of Qiao Xing, is an executive Director, and, hence, a connected person of the Company. As Mr. Wu Ruilin is the protector and one of the discretionary objects of Qiao Xing Trust, Bermuda Trust (acting in its capacity as the trustee of Qiao Xing Trust) is an associate of Mr. Wu Ruilin, and, hence, a connected person of the Company. Accordingly, the entry into the Agreement between Sino Communications, a wholly-owned subsidiary of the Company, and Bermuda Trust (acting in its capacity as the trustee of Qiao Xing Trust) constitutes a connected transaction for the Company pursuant to paragraph 14.23(1) of the Listing Rules. The Agreement is therefore conditional upon approval by the independent shareholders of the Company in the Special General Meeting. However, as no shareholder of the Company is interested in the transactions contemplated under the Agreement, no shareholder is required to abstain from voting at the Special General Meeting.

LETTER FROM THE BOARD OF DIRECTORS

10. SPECIAL GENERAL MEETING

As stated above, under the Listing Rules, the entry into the Agreement constitutes a major and a connected transaction for the Company and is conditional on approval by its independent shareholders in the Special General Meeting to be held at 10:00 a.m. on Friday, 1st March, 2002 at Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, passing, among other things, the ordinary resolution to approve the terms of the Agreement and the transactions contemplated thereunder. Set out on pages 31 to 32 of this circular is a notice convening the Special General Meeting.

A proxy form for use at the Special General Meeting is enclosed. Any shareholder of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint one or more proxies to attend and vote at the Special General Meeting on his or her behalf by completing the enclosed proxy form. A proxy need not be a shareholder of the Company.

Whether or not you are able to attend the Special General Meeting, you are requested to complete and return the proxy form (and if the proxy form is signed by an attorney, together with the notarised power of attorney or other documents of authorisation) in accordance with the instructions printed thereon so as to arrive at the Company's branch share registrar and transfer office in Hong Kong (i.e., Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong) as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not prejudice you from attending and voting in person at the Special General Meeting or any adjournment thereof should you so wish.

11. RECOMMENDATION

The Directors, including the Independent Directors, consider that the terms of the Agreement are fair and reasonable so far as the Company and its shareholders are concerned, and that the entry into the Agreement is in the commercial interests of the Company and in the ordinary and usual course of business of the Company.

Your attention is drawn to the letter from the Independent Directors which is set out on page 13 of this circular. The text of a letter from Management Capital Limited, the independent financial adviser to the Independent Directors, containing its advice and the principal factors and reasons taken into consideration in relation to the terms of the Agreement and the transactions contemplated thereunder, is set out on pages 14 to 24 of this circular.

The Independent Directors, having taken into account the advice of Management Capital Limited, consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and its shareholders are concerned. Accordingly, the Independent Directors recommend that the independent shareholders vote in favour of the ordinary resolution to approve, inter alia, the terms of the Agreement and the transactions contemplated thereunder at the Special General Meeting.

LETTER FROM THE BOARD OF DIRECTORS

12. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Directors, the letter from Management Capital Limited which sets out its advice to the Independent Directors, and the additional information set out in the appendices to this circular.

By order of the board of Directors of
SINO INFOTECH HOLDINGS LIMITED

XU Xiaolu

Managing Director

LETTER FROM THE INDEPENDENT DIRECTORS



SINO INFOTECH HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

25th January, 2002

To the shareholders of the Company

Dear Sir or Madam,

We refer to the circular (the “Circular”) dated 25th January, 2002 to the shareholders of the Company of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to advise the independent shareholders of the Company in connection with the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board of Directors contained in the Circular.

Under the Listing Rules, the entry into the Agreement constitutes a major and a connected transaction for the Company pursuant to paragraphs 14.09 and 14.23(1) of the Listing Rules, respectively, and is conditional on approval by the independent shareholders of the Company in the Special General Meeting. We wish to draw your attention to the letter of advice issued by Management Capital Limited which is set out on pages 14 to 24 of the Circular. We have discussed that letter and the advice contained therein with Management Capital Limited.

Having considered, among other things, the factors and reasons considered by, and the advice of, Management Capital Limited, as stated in the aforementioned letter, we are of the opinion that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and its shareholders are concerned. Accordingly, we recommend that the independent shareholders of the Company vote in favour of the ordinary resolution set out in the notice convening the Special General Meeting to be proposed at the Special General Meeting to approve, inter alia, the terms of the Agreement and the transactions contemplated thereunder.

Yours faithfully,

FU Fengxiang

YANG Lang

Independent Directors

LETTER FROM MANAGEMENT CAPITAL LIMITED

The following is the text of the letter of advice dated 25th January, 2002 from Management Capital Limited to the Independent Directors in respect of the terms of the Agreement and the transactions contemplated thereunder prepared for the purposes of incorporation into this circular:

MANAGEMENT CAPITAL LIMITED

**19th Floor, St. George's Building
2 Ice House Street
Central, Hong Kong**

25th January, 2002

The Independent Directors
Sino InfoTech Holdings Limited
Flat 12-16, 5th Floor, Block A,
Focal Industrial Centre,
21 Man Lok Street,
Hung Hom, Kowloon
Hong Kong

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
in relation to disposal of interests in
Wu Holdings Limited
(the "Proposal")**

We have been appointed to act as the independent financial adviser to the Independent Board Committee in relation to the Proposal, details of which are contained in a circular (the "**Circular**") to the Shareholders dated 25th January, 2002, of which this letter forms a part. Expressions used in this letter have the same meanings as defined in the Circular.

The Proposal envisages the disposal (the "**Disposal**") of the Group's 28.84% interest in Wu Holdings to Bermuda Trust (in its capacity as trustee of Qiao Xing Trust) which owns the remaining 71.16% interest in Wu Holdings. As Mr. Wu Ruilin, an executive Director, is the protector and one of the discretionary objects of Qiao Xing Trust, Bermuda Trust is an associate of Mr. Wu Ruilin and hence a connected person of the Company. Accordingly, the Proposal constitutes a major and connected transaction under the Listing Rules and must be approved by the independent shareholders in a general meeting. However, we are advised that, as no shareholder of the Company is interested in the transactions contemplated under the Agreement, no shareholder is required to abstain from voting at the Special General Meeting.

LETTER FROM MANAGEMENT CAPITAL LIMITED

Management Capital Limited is independent of the Company, Bermuda Trust, Qiao Xing Trust and their respective associates and, accordingly, is considered by the Company as being suitable to give independent advice to you. As the independent financial adviser to the Independent Directors, our role is to provide our view as to whether or not the terms and conditions of the Proposal are fair and reasonable so far as the shareholders of the Company are concerned.

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided by the Directors, for which they are solely responsible, were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the business and affairs of the Company, Wu Holdings or Qiao Xing.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion on the terms of the Proposal, we have considered the following principal factors and reasons:

Background to and Reasons for the Disposal

The Group is principally engaged in the design, manufacture and marketing of electronic consumer products and investment holding with its 28.84% interest in Wu Holdings representing a major investment of the Group. Wu Holdings is an investment holding company and its sole investment is a 46.57% interest in Qiao Xing which is listed on the USA-based NASDAQ National Market (Symbol: XING). Established in 1992, Qiao Xing is engaged in the manufacturing and sales of telecommunication terminals and equipment, including corded and cordless telephone sets, in the PRC. According to its interim report for the six months ended 30th June, 2001, Qiao Xing is currently the second largest telephone manufacturer in the PRC producing approximately 165 models of corded and 25 models of cordless fixed-line telephones which are distributed through a sales network comprising 1,350 retail stores located throughout the PRC.

The Directors believe that the Disposal would enhance the liquidity position of the Group and, should suitable investment opportunities arise, provide funding for future investments. However, the Company does not presently have any specific plans for future

LETTER FROM MANAGEMENT CAPITAL LIMITED

investments nor does it presently have any intention to make further disposals or acquisitions in the near future. As such, it is currently intended that the proceeds from realization of the Sale Shares would be used for general working capital purposes.

Following the Disposal, the Group's principal interests would be in the design, manufacture and marketing of electronic consumer products including pagers, calculators and electronic toys.

As its investment in Wu Holdings is largely a passive investment as noted below, we accept that the Agreement provides a strategy to realize an illiquid investment and thus enhance the liquidity position of the Company.

The Disposal

The total consideration payable by Bermuda Trust (in its capacity as trustee of Qiao Xing Trust) will be US\$5,133,520 (i.e. approximately HK\$40,041,456). The consideration is to be settled in the following installments:

- A deposit of US\$128,205 (approximately HK\$1,000,000) which has been received;
- A second payment of US\$1,464,000 (approximately HK\$11,419,200) payable within 5 months from the date of Agreement (i.e. on or before 31st May, 2002) or within 5 days after the date on which initial completion (being the 5th business day after approval of shareholders of the Company in the Special General Meeting is obtained) takes place, whichever is later; and
- The balance of the consideration (US\$3,541,315 or approximately HK\$27,622,256) payable on or before 31st October, 2002,

and Sino Communications shall be entitled to retain the Deposit from the 5th business day after obtaining the approval of shareholders of the Company, provided that initial completion (as described above) does not fail to take place solely due to the fault of Sino Communications.

It is noted that the consideration was determined after arm's length negotiation between the parties and with reference to the attributable interest of Sino Communications in Qiao Xing calculated at a discount of approximately 14.7% to US\$3.06, being the average closing price of Qiao Xing Shares on NASDAQ during the period from 1st October, 2001 to 28th December, 2001 (both dates inclusive), and a discount of approximately 48.6% to US\$5.08, being the closing price of Qiao Xing Shares on NASDAQ on 31st December, 2001. In assessing the fairness of the consideration, we note as follows:

- **Pre-emption rights.** Under the shareholders' agreement between, inter alia, Sino Communications and Wu Holdings, a shareholder (The "Proposing Transferor") seeking to transfer his shares is required to (i) obtain the prior written approval of

LETTER FROM MANAGEMENT CAPITAL LIMITED

all shareholders of Wu Holdings or, first offer the shares, which it proposes to transfer to a person from which it has received a bona fide offer, to all of the other shareholder(s) of Wu Holdings by giving a written notice in respect of its intention to transfer or dispose of such shares. The other shareholder(s) will then have a period of 2 months from the date of the notice to decide whether it will require the Proposing Transferor to sell the relevant shares to it at the same price and on the same terms. If Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) does not exercise its pre-emptive right within the prescribed period, Sino Communications may then proceed to sell the relevant shares to the prospective purchaser, provided that such sale is completed within a period of 6 months after the date of the notice; and (ii) the prospective purchaser must agree to execute a deed of ratification and accession and agree to be bound by the shareholders' agreement. Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) also has standard tag-along rights that give it the right to require any prospective purchaser to also acquire its interest on the same terms. We believe that these pre-emption rights limit the liquidity of this investment, its marketability (as such restrictions would not generally appeal to most buyers) and, hence, the price that might ultimately be achieved.

- **Consideration arrived at on a willing buyer/willing seller basis.** Given the limitations imposed by the pre-emption rights as described above and the minority stake represented by the Sale Shares, such interest is, in our view, an illiquid investment and there is no reference market price upon which the value of the Sale Shares can be determined. It is accordingly appropriate that the price has been fixed by private treaty on a willing buyer and willing seller basis.
- **Influence on investment.** Mr. Wu Ruilin, the chief executive officer and chairman of Qiao Xing, and members of his family own and control Wu Holdings which in turn is the single largest shareholder in Qiao Xing. Under the shareholders' agreement between, inter alia, Sino Communications and Wu Holdings, which will be terminated upon final completion of the realization of the Sale Shares, the Group's participation at board meetings and shareholders' meetings is required to fulfill the quorum requirement for such meetings. Clause 2.09 of the shareholders' agreement provides that the approval of the board of directors of Wu Holdings and the prior written approval of a director appointed by each shareholder are required in respect of any matter of importance to Wu Holdings and its subsidiaries including (i) approval of budgets; (ii) any transaction in which any shareholder and/or director of Wu Holdings has a direct or indirect interest; (iii) any transaction not in the ordinary course of business conducted otherwise than on an arm's length basis; (iv) the employment or dismissal of any person who holds designated key management positions at Wu Holdings and/or its subsidiaries; (v) annual remuneration adjustments for persons who hold designated key management positions at Wu Holdings and/or its subsidiaries; and (vi) any declaration of dividend of more than 35% of net profits after tax of any financial year. In

LETTER FROM MANAGEMENT CAPITAL LIMITED

addition, the prior approval in writing of shareholders of Wu Holdings is required in respect of any proposals to, amongst other things, (i) increase, consolidate, subdivide or convert any of its share capital; (ii) pass any resolution the result of which would be its winding up, liquidation or receivership, or make any composition or arrangement with creditors; (iii) consolidate or merge with or acquire any other business or other securities convertible into shares or debentures; (iv) issue any shares or debentures or other securities convertible into shares or debentures; (v) incorporate any subsidiary or permit the disposal or dilution of its interest in any subsidiary or acquire or dispose of shares in any company; (vi) sell, transfer, lease, assign or otherwise dispose of any material part of its undertaking otherwise than in the ordinary course of business; and (vii) make, amend or terminate any contract with any shareholder of Wu Holdings. Although Clause 2.09 gives the Group the right to approve certain matters in relation to the Wu Holdings group, the Group's influence over Qiao Xing is limited as the day-to-day management and control ultimately rests with the Wu family. Given the limitations in influencing the direction and affairs of Qiao Xing, which is the sole investment interest of Wu Holdings, we would expect that such constraints would typically discount the value of Sino Communications' investment in Wu Holdings as compared to a similar investment in which there is active management involvement or influence.

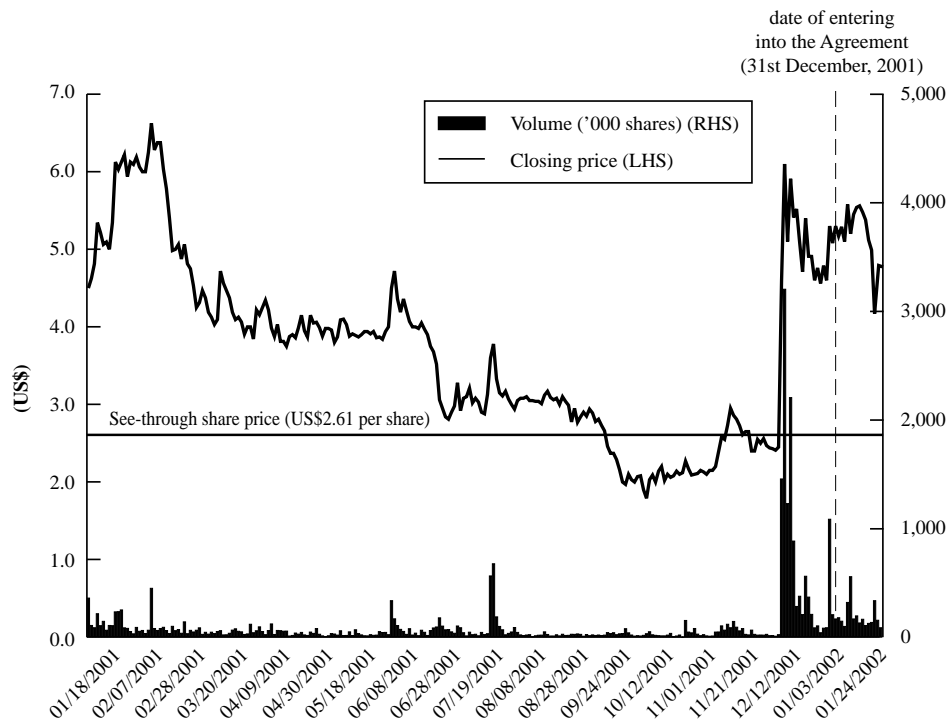
- **Discount to net tangible asset backing.** We have examined the discount at which the consideration stands in relation to the net tangible asset backing of Wu Holdings. This approach is valid when net tangible assets can be used as a basis for comparison for the value of net assets that would be received in a break-up scenario. In this instance, we do not consider this approach to be relevant as Sino Communications is not able to act unilaterally but will also require the prior written approval of shareholders of Wu Holdings (i.e. Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust)) to pass a shareholders' resolution to place Wu Holdings into liquidation. As such, this analysis has no implications on the fairness of the terms but is noted for reference only.

Based on the book value of the net tangible assets represented by the Sale Shares in Wu Holdings of HK\$73.22 million (based on the audited accounts as at 31st December, 2000) and HK\$74.56 million (based on the unaudited interim accounts as at 30th June, 2001), the consideration for the Disposal represents discounts of 45.3% and 46.3% respectively thereto. We note that Wu Holdings is an investment holding company and Qiao Xing, its sole investment, was treated as a subsidiary as at 31st December, 2000 and 30th June, 2001; as such its consolidated balance sheet solely comprised the net tangible assets of Qiao Xing. We note that, as at the Latest Practicable Date, Wu Holdings' interest in Qiao Xing has reduced from 56.2% as at 31st December, 2000 to 46.57% following the exercise of conversion rights in respect of US\$10 million of convertible debentures by independent parties between 5th January, 2001 to 24th December, 2001.

LETTER FROM MANAGEMENT CAPITAL LIMITED

As Qiao Xing is the sole asset of Wu Holdings, we can also look at the asset backing of Wu Holdings based on the see-through share prices of Qiao Xing. Based on its holding of 6,819,000 Qiao Xing Shares as at 29th December, 2000 and 29th June, 2001 (being the last trading dates immediately preceding the balance sheet dates of 31st December, 2000 and 30th June, 2001, respectively, both of which were public holidays), and the respective share prices of US\$ 4.50 and US\$3.08, the market value of Wu Holdings' interest in Qiao Xing attributable to Sino Communications amounted to HK\$69.0 million and HK\$47.2 million respectively. On this basis, the consideration represents a discount of 42.0% and 15.3% respectively to the aforementioned see-through investment values of Qiao Xing.

The share price and share trading volume for Qiao Xing during the period from 29th December, 2000 (being the date 12 months before the date the Agreement was entered into on 31st December, 2001) to the Latest Practicable Date is illustrated in the chart below:



Source: NASDAQ

LETTER FROM MANAGEMENT CAPITAL LIMITED

We note that the share price and share trading volume of Qiao Xing Shares spiked up in December 2001. The following table sets out the high and low closing prices and the total monthly trading volume for Qiao Xing Shares in recent months:

Calendar month	High	Low	Monthly trading volume	Monthly trading volume/ no. of Qiao Xing Shares attributable to Sino Communications
	<i>(US\$)</i>	<i>(US\$)</i>	<i>('000 shares)</i>	<i>(%)</i>
January 2002 (to Latest Practicable Date)	5.58	4.17	3,065	155.9
December 2001	6.10	2.41	12,716	646.6
November 2001	2.95	2.15	1,106	56.2
October 2001	2.27	1.79	675	34.3
September 2001	2.81	1.97	430	21.9

Source: NASDAQ

We have reviewed Qiao Xing's corporate announcements and note that the company had announced in December 2001 and January 2002 certain corporate developments including the full conversion of convertible debentures in issue (with face value of US\$ 10 million) into Qiao Xing Shares, the appointment of a general manager to head up Qiao Xing's Foreign Trade Department, the introduction of a series of new telephone models and increase in international sales, the formation of a strategic alliance with ZTE Corporation in China to jointly manufacture and market GSM and CDMA wireless telecommunications terminals in China, and the expected strong revenue growth in second half of 2001. It is, accordingly, possible that the recent increase in share price may be attributed (in whole or part) to such positive developments; it is not clear, however, whether other unknown factors may have affected share prices and share trading volumes. In any event, the market price of Qiao Xing Shares is not entirely relevant in view of the constraints on Sino Communications in obtaining direct control over its indirect attributable interest in such shares.

As noted above, Wu Holdings is a privately owned company with its shareholders bound by the terms of a shareholders' agreement. As such, there are constraints to realizing an interest therein such as the pre-emption rights of Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust), the requirement for any prospective purchaser to enter into the shareholders' agreement and the limited attractiveness of the minority stake in Wu Holdings held by Sino Communications Limited. Given these constraints, there is no public market for such shares and, accordingly, there are no market reference values which can be used to compare

LETTER FROM MANAGEMENT CAPITAL LIMITED

the reasonableness of the discount at which the consideration bears to the underlying net tangible assets. In any event, the use of the net tangible asset comparison is inappropriate in our view as Sino Communications is not able to access the underlying assets of Wu Holdings.

- **Price Earnings Ratio (PER).** The consideration for the Disposal is equivalent to a see-through share price of US\$ 2.61 for each Qiao Xing share. This represents a PER of approximately 10.9 times based on Qiao Xing's latest year's fully diluted earnings per share of US\$ 0.24.

The following table illustrates the earnings profile of Qiao Xing for the four financial years ended 31st December, 1997 to 31st December, 2000 (being the latest available audited accounts on the company):

RMB'000	Financial year ended 31st December,			
	2000	1999	1998	1997
Net sales revenues	392,529	383,633	351,184	383,934
Gross profit	120,923	123,975	99,249	83,024
Operating profit	64,993	79,718	66,528	55,889
Net income	23,471	49,703	47,263	41,209
EPS (basic) (US\$)	0.24	0.64	0.72	0.66
EPS (diluted) (US\$)	0.24	0.64	0.72	0.66

Source: Annual reports of Qiao Xing

As shown above, Qiao Xing's turnover increased marginally from approximately RMB383.9 million (approximately HK\$360.8 million) for the year ended 31st December, 1997 to approximately RMB392.5 million (approximately HK\$368.9 million) in respect of the year ended 31st December, 2000. The increase is attributed to both (i) the change in sales mix as sales of corded and cordless telephones fell whilst sales of caller ID displayed telephones and smart card telephones increased and (ii) the fall in average wholesale prices in all product categories from increased competition. Gross profit showed year-on-year increases from approximately RMB83.0 million (approximately HK\$78.0 million) in 1997 to approximately RMB120.9 million (approximately HK\$113.6 million) for 2000 with the focus on higher priced, high-margin products offering advanced features and conveniences whilst operating profit increased by a smaller amount from approximately RMB55.9 million (approximately HK\$52.5 million) in 1997 to approximately RMB79.7 million (approximately HK\$74.9 million) for 1999 but fell to approximately RMB65.0 million (approximately HK\$61.1 million) for 2000 after taking into account growing general administrative expenses, which included an increase for bad debt provisions and increased personnel costs to support the production of digitally-enhanced cordless telephones and CDMA products. Overall, net income increased from approximately RMB41.2 million (approximately

LETTER FROM MANAGEMENT CAPITAL LIMITED

HK\$38.7 million) for 1997 to approximately RMB47.3 million (approximately HK\$44.5 million) for 1998 but, in spite of increased operating profit for 1999, net income in that year amounted to approximately RMB49.7 million (approximately HK\$46.7 million) showing only a modest increase after the expiration of a tax holiday from 1st January, 1999 and, for 2000, net income fell to approximately RMB23.5 million (approximately HK\$22.1 million) after taking into account significant increases in general and administrative expenses as noted above and in interest expense from the issuance of US\$10 million (approximately HK\$78.0 million) in convertible debentures.

According to its unaudited consolidated income statement for the 6 months ended 30th June, 2001, Qiao Xing reported a drop in turnover to approximately US\$15.2 million (approximately HK\$118.6 million) (6 months to 30th June, 2000: approximately US\$22.9 million (approximately HK\$178.6 million)) with a consequential drop in gross profit to approximately US\$4.0 million (approximately HK\$31.2 million) (6 months to 30th June, 2000: approximately US\$6.8 million (approximately HK\$53.0 million)) and operating income to approximately US\$2.3 million (approximately HK\$17.9 million) (6 months to 30th June, 2000: approximately US\$4.4 million (approximately HK\$34.3 million)). The significant decrease in sales was attributed to increased competition and weaker demand from the domestic telephone market and this contributed largely to the decrease in net income to approximately US\$1.3 million (approximately HK\$10.1 million) (6 months to 30th June, 2000: approximately US\$2.8 million (approximately HK\$21.8 million)). The company noted in October 2001 that demand for its core caller ID telephones and its latest product introductions increased in the third quarter and are expected to maintain that trend for the remainder of the year; hence the company is expecting strong financial and operational growth during the second half of 2001.

We note that Qiao Xing's accounts receivables increased from approximately RMB222.8 million (approximately HK\$209.4 million) as at 31st December, 1998 to approximately RMB282.6 million (approximately HK\$265.6 million) as at 31st December, 2000 and this decreased slightly to approximately US\$33.6 million (approximately HK\$262.1 million) as at 30th June, 2001. These represented accounts receivable days of approximately 232 days for 1998 and approximately 263 days for 2000 which show a deterioration in credit terms provided to customers. Qiao Xing has noted that this is attributed to longer credit terms granted to big customers with good payment history so as to maintain market share. Clearly, the working capital requirements for this business are significant and, if such accounts receivables should become uncollectible, this could have significant implications on Qiao Xing.

Based on the mixed outlook for Qiao Xing, we consider this an acceptable PER given the Company's limited involvement in this investment interest.

LETTER FROM MANAGEMENT CAPITAL LIMITED

- **No dividend income.** The Company has not received any dividends from Wu Holdings nor has Qiao Xing paid any dividends to its shareholders since its listing on NASDAQ. Qiao Xing has also stated in its annual report for the year ended 31st December, 2000 that it does not currently intend to pay dividends to its shareholders. The lack of dividend income from this investment supports the decision to realize the investment to raise funds for working capital purposes.

For these reasons, taking into account the limits on involvement in the direction and management of this investment and the consideration having been determined on a willing buyer/willing seller basis, we consider the consideration terms to be fair.

FINANCIAL EFFECTS

Earnings

For the year ended 31st December, 2000, the Group reported turnover of approximately HK\$195.6 million (1999: approximately HK\$96.7 million), an operating loss of approximately HK\$20.6 million (1999: Loss approximately HK\$81.5 million) and a loss attributable to shareholders of approximately HK\$14.0 million (1999: Loss approximately HK\$72.4 million). The result for 2000 reflected an increase in sales, particularly in Europe and the PRC but the Group continued to suffer from price competition especially in the PRC market during the second half of the year that contributed to an operating loss for the year. The loss attributable to shareholders took into account a provision for impairment in value of goodwill on acquisition of an associate, Shenzhen SED Telecommunication Technology Co., Ltd of approximately HK\$14 million.

For the 6 months ended 30th June, 2001, the Group reported turnover of approximately HK\$42.9 million (2000: approximately HK\$80.1 million), an operating loss of approximately HK\$23.7 million (2000: Operating profit approximately HK\$0.8 million) and a loss attributable to shareholders of approximately HK\$22.2 million (2000: Profit attributable to shareholders approximately HK\$4.4 million). The substantial drop in turnover of approximately 46% was attributed to the sluggish demand for its products particularly in the PRC, with a less significant reduction from North American markets, which contributed to the losses. Consequently, management has continued to reduce costs and has scaled down sales operations in the PRC. The Board also noted in its business review of the interim results that management is continuing to maintain prudent financial control over all aspects of operations with a view to enhancing its competitiveness.

Based on the unaudited interim accounts as at 30th June, 2001, and assuming completion of the Disposal had taken place on that date, a loss of about HK\$40 million will be crystallized as a result of the Disposal being the difference between the proceeds of approximately HK\$40.0 million and the total book value of the interest and related goodwill of approximately HK\$74.6 million and approximately HK\$5.8 million, respectively. It should be noted that the actual quantum of the loss, which will increase or decrease with the attributable share of profits/losses accruing to the Group from 1st July, 2001 up to the date of completion of the Disposal, will be ascertained at completion.

LETTER FROM MANAGEMENT CAPITAL LIMITED

Net asset value

As at 31st December, 2000, the Group had audited net assets of approximately HK\$137.46 million, or HK\$ 0.15 per share (based on 904,075,000 ordinary shares in issue as at that date). Based on the unaudited balance sheet as at 30th June, 2001, the Group had unaudited net assets of approximately HK\$126.43 million, or HK\$0.13 per share (based on 1,004,527,778 ordinary shares in issue as at that date).

Assuming the Proposal had taken place on 30th June, 2001, the net assets would reduce to approximately HK\$86 million, or approximately HK\$ 0.09 per share. Accordingly, as a result of the Proposal, the net assets attributable to the Group will reduce by HK\$ 0.04 to HK\$ 0.09 per share or a reduction of about 32.4%.

Liquidity and gearing

It should be noted that prior contributions from the investment in Wu Holdings have solely been in respect of the share of profits (less losses) on an equity accounting basis, with all of such earnings being retained by Wu Holdings as the Company has, to date, not received any dividend income or return on investment from Wu Holdings.

As at the close of business on 31st December, 2001, the Group had outstanding borrowings of approximately HK\$2.9 million.

The Group's operating environment is uncertain given the significant drop in turnover reported in respect of the six months to 30th June, 2001 necessitating continued efforts to reduce costs and scaling back of PRC sales operations. The Board has stated that, following the Disposal, the Group would have additional funds available for working capital and to support any new business opportunities that might arise. Given this scenario, and notwithstanding the loss on realization of that investment interest, we consider the proposed Disposal to be prudent and in the interest of the Group.

RECOMMENDATION

Having considered the principal factors and reasons referred to above and, in particular, the disposal of an illiquid investment to provide funds for its working capital requirements, we consider the terms of the Agreement to be fair and reasonable so far as the shareholders of the Company are concerned and the Disposal is in the interest of shareholders of the Company and the Company as a whole. Accordingly, we advise the Independent Directors to advise the independent shareholders of the Company to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve, inter alia, the Agreement and the Disposal contemplated thereunder.

Yours faithfully,
For and on behalf of
MANAGEMENT CAPITAL LIMITED
A.K.S. Li
Director

1. INDEBTEDNESS

As at the close of business on 31st December, 2001, being the latest practical date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$2.9 million comprising secured trust receipt loans which were secured by time deposits and certain leasehold land and buildings of the Group.

Save as disclosed in this circular and apart from intra-group liabilities, the Group did not have, at the close of business on 31st December, 2001, any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Amounts referred to in this indebtedness statement denominated in currencies other than Hong Kong dollars have been translated into Hong Kong dollars at the relevant rates of exchange prevailing as at the close of business on 31st December, 2001.

2. WORKING CAPITAL

The Directors are of the opinion that, upon completion of the transactions contemplated in this circular and after taking into account the estimated proceeds from the sale of the Sale Shares, the Group's internally generated funds and banking facilities which are presently available to the Group, the Group will have sufficient working capital to satisfy its present requirements.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors***Directors' interests in shares*

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of Director	Number of shares held and nature of interest		Total
	Personal	Family	
XU Xiaolu	2,100,000	3,250,000	5,350,000

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by certain Directors, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' rights to acquire shares and debentures

As at the Latest Practicable Date, the interests of the Directors in options to subscribe for shares of the Company were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options
XU Xiaolu	22nd January, 2001	0.128	29th January, 2002 to 21st January, 2006	1,200,000

All of the above share options were granted pursuant to the share option scheme adopted by the Company on 3rd December, 1992. No options had been exercised as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had interests in any equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he or she was taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders were directly or indirectly interested in 10% or more of the issued share capital of the Company:

Name	Number of share held	Approximate percentage of interest
United Home Limited	298,096,988	29.68%
Carlet Investments Ltd.	172,644,210	17.19%

The 172,644,210 shares of the Company held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 68% interest in Carlet Investments Ltd.. In addition to the 172,644,210 shares held by Carlet Investments Ltd., 125,452,778 shares, representing approximately 12.49% of the issued share capital of the Company as at the Latest Practicable Date, were directly owned by United Home Limited.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, was interested, directly or indirectly, 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 any member of the Group or in any options in respect of such share capital.

Except for the Agreement and the transactions contemplated thereunder, none of the Directors and Management Capital Limited had any interest, direct or indirect, in any assets which had, since 31st December, 2000, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this circular which is significant to the business of the Group.

None of the Directors has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(c) Others

As at the Latest Practicable Date, Management Capital Limited did not have any interests in the securities of the Company or any shareholding in any member of the Group or had the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

3. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Management Capital Limited	Investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)

4. CONSENTS

Management Capital Limited have given and have not withdrawn their written consent to the issue of this circular, with the inclusion herein of their reports and/or letters and references to their name, in the form and context in which they respectively appear.

5. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2000, being the date to which the latest published audited accounts of the Group were made up.

6. LITIGATION

No member of the Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

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

- (a) the Agreement; and
- (b) the deed of ratification and accession dated 31st December, 2001 between, among others, Sino Communications, Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) and Wu Holdings, which is supplemental to the shareholders' agreement dated 15th July, 1998 entered into between, among others, Sino Communications and Wu Holdings.

8. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 1787, 2nd Floor, One Capital Place, Grand Cayman, Cayman Islands, British West Indies.
- (b) The principal share registrar and transfer office of the Company is The Harbour Trust Company Limited at P.O. Box 1787, 2nd Floor, One Capital Place, Grand Cayman, Cayman Islands, British West Indies and the branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (c) The Secretary of the Company is Mr. TSEUNG Sheung Shun, who is an associate member of the Hong Kong Society of Accountants.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the principal office of the Company in Hong Kong at Flat 12-16, 5th Floor, Block A, Focal Industrial Centre, 21 Man Lok Street, Hung Hom, Kowloon, Hong Kong during normal business hours from the date of this circular to and including 1st March, 2002:

- (a) the memorandum of association and articles of association of the Company;
- (b) the letter from Management Capital Limited, the text of which is set out on pages 14 to 24 of this circular;
- (c) the annual reports of the Company for the two financial years ended 31st December, 2000;
- (d) the interim report of the Company for the six months ended 30th June, 2001;
- (e) the material contracts referred to under the paragraph headed "Material contracts" in this appendix;
- (f) the shareholders' agreement dated 15th July, 1998 entered into between, among others, Sino Communications and Wu Holdings;
- (g) the form of the termination deed to be entered into amongst, among others, Sino Communications, Bermuda Trust (in its capacity as the trustee of Qiao Xing Trust) and Wu Holdings to terminate the shareholders' agreement referred to in sub-paragraph (f) under the paragraph headed "Documents available for inspection" in this appendix);
- (h) the written consents referred to under the paragraph headed "Consents" in this appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



SINO INFOTECH HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Sino InfoTech Holdings Limited (the “Company”) will be held at Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong at 10:00 a.m. on 1st March, 2002 for the purposes of considering and if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional agreement dated 31st December, 2001 entered into between Sino Communications Limited (“Sino Communications”), a wholly-owned subsidiary of the Company, and Bermuda Trust (Cook Islands) Limited (“Bermuda Trust”) (in its capacity as the trustee of The Qiao Xing Trust) in respect of the sale by Sino Communications to Bermuda Trust (in its capacity as the trustee of The Qiao Xing Trust) of 2,884 ordinary shares with a par value of US\$1.00 each in the capital of Wu Holdings Limited (a copy of which has been produced to the Meeting marked “A” and which has been initialed by the chairman of the Meeting for the purpose of identification), the terms thereof and all transactions contemplated thereunder (including, but not limited to, the escrow deed to be entered into, among others, Sino Communications and Bermuda Trust (in its capacity as the trustee of The Qiao Xing Trust) (the “Escrow Deed”) and the termination deed to be entered into amongst, among others, Sino Communications, Bermuda Trust (in its capacity as the trustee of The Qiao Xing Trust) and Wu Holdings to terminate the shareholders’ agreement dated 15th July, 1998 entered into amongst, among others, Sino Communications and Wu Holdings (the “Termination Deed”) (a draft copy of which has been produced to the Meeting marked “B” and which has been initialed by the chairman of the Meeting for the purpose of identification) be and are hereby approved and confirmed; and

- (b) any one director of the Company be and is hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his or her opinion may be necessary, desirable and expedient to implement and/or given effect to the terms of, and all transactions contemplated by, the Agreement, the Escrow Deed and the Termination Deed for and on behalf of the Company and to approve any changes and amendments thereto as such director

NOTICE OF THE SPECIAL GENERAL MEETING

may consider necessary, desirable and expedient and the common seal of the Company be affixed to any instrument in the presence of any two directors of the Company or any director of the Company and the secretary of the Company as may be required for the above purposes.”

By order of the board of Directors of
SINO INFOTECH HOLDINGS LIMITED
TSEUNG Sheung Shun
Company Secretary

Hong Kong, 25th January, 2002

Notes:

1. A member entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong at Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, at least 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.



SINO INFOTECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Form of proxy for use by shareholders at the extraordinary general meeting to be held on 1st March, 2002

I/We⁽¹⁾ _____

of _____

being the registered holder(s) of⁽²⁾ _____ ordinary shares of HK\$0.01 each in the capital of **Sino InfoTech Holdings Limited** (the "Company"), HEREBY APPOINT the Chairman of the extraordinary general meeting or⁽³⁾ _____ of _____ as my/our proxy to attend and act for me/us at the extraordinary general meeting (the "Meeting") of the Company to be held at Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong at 10:00 a.m. on Friday, 1st March, 2002 (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing the resolutions as set out in the notice convening the Meeting and at such Meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the resolutions as hereunder indicated, or if no such indication is given, as my/our proxy thinks fit:

Ordinary Resolution	For ⁽⁴⁾	Against ⁽⁴⁾
<p>To consider and, if thought fit, to pass the following resolution as an ordinary resolution:</p> <p>"THAT:</p> <p>(a) the conditional agreement dated 31st December, 2001 entered into between Sino Communications Limited ("Sino Communications"), a wholly-owned subsidiary of the Company, and Bermuda Trust (Cook Islands) Limited ("Bermuda Trust") (in its capacity as the trustee of The Qiao Xing Trust) in respect of the sale by Sino Communications to Bermuda Trust (in its capacity as the trustee of The Qiao Xing Trust) of 2,884 ordinary shares with a par value of US\$1.00 each in the capital of Wu Holdings Limited (a copy of which has been produced to the Meeting marked "A" and which has been initialed by the chairman of the Meeting for the purpose of identification), the terms thereof and all transactions contemplated thereunder (including, but not limited to the escrow deed to be entered into, among others, Sino Communications and Bermuda Trust (in its capacity as the trustee of The Qiao Xing Trust) (the "Escrow Deed") and the termination deed to be entered into amongst, among others, Sino Communications, Bermuda Trust (in its capacity as the trustee of The Qiao Xing Trust) and Wu Holdings to terminate the shareholders' agreement dated 15th July, 1998 entered into amongst, among others, Sino Communications and Wu Holdings (the "Termination Deed") (a draft copy of which has been produced to the Meeting marked "B" and which has been initialed by the chairman of the Meeting for the purpose of identification), be and are hereby approved and confirmed; and</p> <p>(b) any one director of the Company be and is hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his or her opinion may be necessary, desirable and expedient to implement and/or given effect to the terms of, and all transactions contemplated by, the Agreement, the Escrow Deed and the Termination Deed for and on behalf of the Company and to approve any changes and amendments thereto as such director may consider necessary, desirable and expedient and the common seal of the Company be affixed to any instrument in the presence of any two directors of the Company or any director of the Company and the secretary of the Company as may be required for the above purposes."</p>		

Dated this _____ day of _____ 2002 Signature⁽⁵⁾ _____

Notes:

- (1) Full name(s) and address(es) must be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.
- (2) Please insert the number of ordinary shares of the Company registered in your name(s) and to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares of the Company registered in your name(s).
- (3) If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the extraordinary general meeting or" and insert the name and address of the proxy desired in the space provided. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.
- (4) IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE RELEVANT BOX UNDER THE COLUMN MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE RELEVANT BOX UNDER THE COLUMN MARKED "AGAINST". Failure to tick any one of the boxes will entitle your proxy to cast your vote(s) at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting as well as those referred to in the notice convening the Meeting.
- (5) This form of proxy must be in writing under the hand of you or your attorney authorised in writing or, in the case of a corporation, must be either under its seal or under the hand of any officer or attorney duly authorised.
- (6) In the case of joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (7) To be valid, this form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong (i.e., Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong) not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (8) The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- (9) Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjourned meeting if you so wish.