



SINOTRONICS HOLDINGS LIMITED
(華 翔 電 路 控 股 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT
For the year ended 30th June, 2001

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Sinotronics Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** For identification purposes only*

HIGHLIGHTS

- Successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 17th May, 2001.
- Turnover for the year was approximately RMB189,128,000.
- Net profit for the year was approximately RMB56,830,000, representing a slight premium over the RMB55 million forecasted in the prospectus of the Company dated 11th May, 2001.
- Net profit margin growth for the year was approximately 1.86 times, an increase to approximately 30.05% from approximately 10.52% as of last year.
- A triple-digit profit after taxation but before minority interests growth of approximately 263%.
- Shareholders' funds reached approximately RMB162,118,000.

CHAIRMAN'S STATEMENT

1. TO SHAREHOLDERS

The Year 2000-2001 was a year of rapid development for Sinotronics Holdings Limited (the "Company" and, together with its subsidiaries, the "Group"). The Group recorded turnover of approximately RMB189,128,000, representing an increase of approximately 118% over that of the previous year. Profit after taxation but before minority interests for the year increased by over 2.6 times to approximately RMB63,567,000, representing a slight premium over the RMB55 million forecasted in the prospectus of the Company dated 11th May, 2001, while earnings per share increased by approximately 567% to approximately RMB0.2. Such satisfactory results were attributable to our efforts in establishing a comprehensive business model for electronic manufacturing services ("EMS") which continued to add value to the manufacturing business of the Group.

The Year 2000-2001 was also a difficult year for the global electronics market. The decline in the Internet industry adversely affected the development of the electronic technology sector and numerous multinational electronics companies suffered from a downturn in results. In view of such adverse environment, the Group modified its competitive strategy by switching its focus towards the PRC market which is believed to have enormous potential. Through the provision of high profit margin, high value-added design services for the fabrication and assembly of high-mix, multilayer printed circuited boards ("PCBs"), the Group was able to attain continuous and rapid growth in both revenues and profits. On 17th May, 2001, the Group successfully listed its shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited through an initial public offering. The successful listing of the Company has strengthened the financial position of the Group, thereby facilitating a strong support for its future development.

2. BUSINESS REVIEW

Active expansion of engineering support and service capacity

Through the continuous improvement of its EMS business model, the active expansion on design service capacity and manufacturing technologies and the provision of more high value-added services for its customers, the Group successfully differentiated itself from other traditional processing and manufacturing contractors and achieved strong profitability.

Engineering support and design are essential in EMS. The Group actively participates in its customers' product design process commencing as early as the research and development stage to complement the customers' designs with its own experience and technologies in manufacturing. In doing so, the lead time for new products introduction is shortened, and the customers are able to gain a competitive edge in the market.

During the year, the Group expended increasing efforts to enhance its engineering support and service capacity. Recognising that human resources is the fundamental element of engineering support services, the Group actively expanded its engineering team and recruited five experienced engineers during the year to work in its engineering design department and the Group's offices in Shanghai, Shenzhen, Chengdu, etc.. As a result, the Group significantly strengthened its ability in providing quick-turn services required by its customers. Moreover, the Group has established an engineering design service centre in Fuzhou, the PRC principally engaged in the provision of solutions support for system and other sophisticated engineering design projects. Two senior engineers and three engineers were engaged to provide technical assistance to other branch establishments of the Group. Through the establishment of this engineering centre, the Group successfully expanded its engineering design service coverage to areas including system and schematic designs.

Such enhancements in the engineering support service capacity enabled the Group to strengthen its earnings capability and its competitive edge.

Expansion of production capacity and upgrading fabrication technologies

Through stringent production operation management, quality control, statistical process management coupled with advanced production facilities, the Group succeeded in maximizing its production efficiency, thereby realising the Group's high mix, quick-turn production strategy. This is another essential factor contributing to the success of the Group.

During the year, the Group focused on the fabrication of the higher profit margin multilayer PCBs. Additional production facilities were acquired, and its capacity and technological know-how were upgraded to facilitate such focus. Equipment like Germany made multilayer PCB press machines and numeric control drills were introduced to increase the Group's PCB fabrication capacity to 12,000 square metres per month. The technological know-how in fabricating multilayer PCBs of high layer counts and high complexity was secured, with MLV testing facilities imported from Germany served to enhance the technical ability of the Group in fabricating PCBs of high layer counts (more than 10 layers). The introduction of such advanced equipment contributed to the enhancement on the product mix of the Group.

Continuous research and development of new technologies and enhancement of management standard

Technological innovation is the source for the survival and development of any business. Accordingly, the Group formulated sets of development plans based on the feedbacks from its customers and its in-depth knowledge and assessment of future market trends. Various development plans for new technologies were prepared by the Group's chief engineer, including the precise integration technology of multilayer PCBs for the automobile electronics industry and the manufacturing of Teflon boards for broadband digital transmission, which laid a solid foundation for the future development of the Group.

While emphasising the innovation of production technologies, the Group also adopted various new management skills specifically for the Company. Among those are the upgraded management and software systems that were developed based on the Group's original ERP management system and in accordance with the ISO 9001 (2000 version) system and the CRM (customer relationship management) concept. These upgraded systems served to significantly enhance the operational efficiency of the Group.

As an EMS provider, the Group has been expanding the scope and composition of its services for its customers. To facilitate the provision of procurement services to its customers, the Group has set up a trading company in Hong Kong for purchases conducted on a cross-border basis.

3. BUSINESS PROSPECTS

The opening up of the PRC has boosted its economic development, especially in the electronics information industry. The industry has become the key industry of the state and has achieved surprising expansion. At present, numerous opportunities are available to the domestic electronics industry as the PRC is actively promoting information reform projects for traditional industries in order to remain competitive upon its entry into the World Trade Organisation (the “WTO”). Leveraging on this advantage, the Group achieved rapid corporate developments in the following aspects:

Speed up the establishment of the sales network

The Group’s business has been expanding rapidly. During the last year, the Group established temporary offices in Wuhan, the Central PRC, and Xi’an, the Western PRC, to promote its service brandname and attained satisfactory progress. The Company anticipates that these two areas would generate higher returns for the Group in the coming financial year. With the PRC’s prospective entry into the WTO, the existing sales network of the Group in the PRC is expected to help the Group to attain a leading market position in the EMS industry.

Expanding and promoting the capability and scope of the engineering support services of the Group

The engineering design services contributed to the high returns for the Group in the past two years. In particular, the setting up of the engineering design centre last year enabled the Group to provide all round services in relation to series of ancillary functions such as system, schematic and layout designs in the electronic design process, paving the way for the Group to make efficient returns in the forthcoming stages.

Becoming an “one-stop shop” through continuous improvement of all its services

In addition to engineering design and production services, the Group also aimed at providing customers with extensive services such as procurement, mounting and testing by way of co-operation and alliance, making the Group an “one-stop shop” for its customers.

4. COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS

The actual progress of the Group's business objectives for the period ended 30th June, 2001, as set out in the prospectus of the Company dated 11th May, 2001, (the "Prospectus"), is as follows:

Business objectives for the period ended 30th June, 2001 disclosed in the Prospectus

Actual business progress for the period ended 30th June, 2001

Engineering outsourcing

- | | |
|--|---|
| <ul style="list-style-type: none">— Expand PCB layout design services to some key domestic customers of the Group; | <ul style="list-style-type: none">— Having expanded the engineering design services to some of the key domestic customers of the Group, including start Network, Newland and Amoisonic. |
| <ul style="list-style-type: none">— Provide increasing level of "design-for-manufacturability" services during the early stages of the production cycle through the Group's engineering outsourcing services division to develop process changes and refinements required for volume production; | <ul style="list-style-type: none">— Having provided increased level of "design-for-manufacturability" services during the early stages of the production cycle through the Group's engineering outsourcing services division to most of the customers of the Group to develop process changes and refinements required for volume production. |
| <ul style="list-style-type: none">— Start to implement ISO 9001 quality standard; and | <ul style="list-style-type: none">— Having started the implementation of ISO 9001 quality standard and is in the stage of preparing ISO 9001 (2000 version) quality systems documents. |
| <ul style="list-style-type: none">— Secure at least one strategic partnership capable of bringing in EMS orders based on the Group's then existing ODM/CEM customers through active marketing. | <ul style="list-style-type: none">— Having secured strategic partnership with Amoisonic, a famous ODM in the telecommunication sector in the PRC, and brought in orders. |

PCBs and PCB assembly

- Shorten the delivery time for its PCB quick-turn services from an average of 72 hours to 36 hours;
- Start and complete the first phase of the expansion plan to increase PCB production capacity for single-sided, double-sided and multilayer PCBs from approximately 3,300 square metres per month to approximately 12,000 square metres per month by purchasing additional NC drills, multilayer press machines and testing equipment;
- Start the second phase of the expansion plan to increase PCB fabrication capacity for single-sided, double-sided and multilayer PCBs by 50%;
- Continue the implementation of the statistical process control system, a system which involves monitoring, controlling and improving a manufacturing process through statistical analysis;
- Purchase the SMT assembly line and equipment for “thru-hole” assembly line;
- Increase the average layer counts for PCBs produced by the Group to four layers from two layers for the five months ended 30th November, 2000, and increase the percentage contribution to total PCB fabrication revenue by the six layer PCBs from 4% for the five months ended 30th November, 2000 to 15%; and, depending on customers’ demand, expand the proportion of sales generated from 10 to 12 layer PCBs;
- Having shortened the cycle to 36 hours.
- Having purchased equipment such as Germany made NC drills and multilayer press machines and increased the production capacity for single-sided, double-sided and multilayer PCBs to 12,000 square metres per month.
- Having commenced the second phase of the expansion plan and is in the process of selecting suitable machineries and equipment to support the targeted increase in PCB fabrication capacity.
- Having completed the implementation.
- In the process of considering other alternatives including strategic co-operations with and mergers and acquisitions of other factories with SMT assembly capacity with an aim to achieve more efficient utilisation of resources.
- For the year ended 30th June, 2001, percentage contribution to the total PCB fabrication revenue by the six layer PCBs maintained at 15%. Proportion of sales generated from 10 to 12 layer PCBs remained unchanged as there was no significant increase on customers’ demand.

- Establish the capacity to fabricate PCBs up to 30 layers; and
- Having achieved the capacity to fabricate PCBs up to 30 layers, and having purchased MLV examination equipment which can significantly improve the passing rate of 30 layer PCBs.
- Start to implement QS 9000 quality standard, which is a standard approved by the International Standards Organization for different businesses with different areas of coverage.
- Having started the implementation of QS 9000 quality standard and is in the stage of preparing QS 9000 programme documents.

Sales and marketing

- Strengthen the Group's brandname "Fuqiang (富強)" into a highly regarded and widely recognised brandname in the electronic interconnect product market by offering "one-stop" EMS solutions to customers and adding reputable international ODMs to its EMS client list;
- Having expanded its "one-stop" EMS service coverage and continue to offer its "one-stop" EMS solutions to its customers. Business contact with 青島惠普 (Tsingdao HP) is underway and expects to add the company to the Group's customer list by the end of this year or early next year.
- Increase the percentage of sales to the communications sector, which the Directors consider would have a higher-than-average growth and a higher profit margin, from approximately 35% to 50%; and
- Maintaining the percentage of sales to the communications sector at approximately 35%.
- Explore business opportunities in other high growth segments in the PRC, such as medical equipment and instrumentation.
- Having attempted to explore business opportunities in the PRC medical equipment and instrumentation industries but were of the opinion that these markets were relatively less developed. Having re-focused its market strategies to the high-growth telecommunications segment in the PRC and would re-explore business opportunities in the medical equipment and instrumentation industries after the entry of the PRC into the WTO.

Business and human resources developments

- Establish EMS strategic partnership with at least one ODM during this period. Negotiations with ODMs in the telecommunication sector have already been taking place;
- Recruit approximately two additional engineers for its engineering outsourcing division during this period;
- Complete the implementation of a computerised ERP system for the integration of material management, engineering production and control;
- Approach US and European semiconductor makers and offer PCB design solutions for the application of their IC products;
- Establish a joint engineering design centre together with Electronic Research Institute;
- Since universities in the PRC usually have experts who are technically competent and are willing to focus their resources in research and development, the Group plans to enter into formal arrangements with one national university in the PRC to establish joint laboratory for the design of system solutions and other advanced technologies. In this respect, negotiations between the Group and Qinghua University in Beijing, the PRC have already been taking place.
- Having established partnership with Amoisonic, a famous ODM in the telecommunication sector in the PRC.
- Having recruited five additional engineers.
- Having completed the implementation of the computerised ERP system and integrated the material management, engineering production and control.
- Having postponed its business developments in the US and Europe and maintain its focus in the PRC market in view of the decline in the world semiconductor industry.
- Having established an engineering design centre and recruited two additional senior engineers and three additional engineers to provide customers with engineering design services such as system design and sub-system design.
- Continuing to engage in negotiations.

5. FINAL RESULTS

The Board of Directors (“Board”) of Sinotronics Holdings Limited (“Sinotronics” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30th June, 2001, together with the comparative figures for the corresponding period in 2000, as follows:

		For the year ended 30th June,	
	<i>Note</i>	2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	189,128	86,756
Cost of sales		<u>(91,219)</u>	<u>(47,816)</u>
Gross profit		97,909	38,940
Selling and distribution expenses		(4,185)	(2,732)
General and administrative expenses		<u>(17,941)</u>	<u>(10,793)</u>
Profit from operations		75,783	25,415
Subsidies	2	400	400
Interest income		204	381
Finance costs		<u>(5,198)</u>	<u>(8,708)</u>
Profit before taxation		71,189	17,488
Taxation	3	<u>(7,622)</u>	<u>—</u>
Profit after taxation but before minority interests		63,567	17,488
Minority interests		<u>(6,737)</u>	<u>(8,358)</u>
Profit attributable to shareholders		<u>56,830</u>	<u>9,130</u>
Earnings per share – Basic	4	<u>RMB0.2</u>	<u>RMB0.03</u>

Notes:

1. **Group reorganisation and basis of presentation**

The Company was incorporated in the Cayman Islands on 29th September, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 17th May, 2001.

On 8th May, 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (“the Reorganisation”) which included exchange of shares. The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 30th June, 2001, rather than from the date on which the Reorganisation was completed. The comparative figures for the year ended 30th June, 2000 have been presented on the same basis.

The consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practices issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

2. **Turnover and revenue**

Turnover and revenue consisted of:

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover – Sales of printed circuit boards	189,128	86,756
Subsidies*	400	400
Interest income	204	381
	<hr/>	<hr/>
Total revenue	<u>189,732</u>	<u>87,537</u>

* *Subsidies represent grants received from a Mainland China provincial government committee in respect of high technology product development projects carried out by the Group.*

3. Taxation

Taxation consisted of:

	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Mainland China enterprise income tax	<u>7,622</u>	<u>—</u>

Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary, is a sino-foreign equity joint venture established in Fuqing, Mainland China, and is subject to Mainland China enterprise income tax at a rate of 15% on its profit after offsetting prior year's tax losses. However, it is exempted from Mainland China enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year's tax losses, followed by a 50% reduction for the following three years. During the year ended 30th June, 2001, Fujian Fuqiang Delicate Circuit Plate Co., Ltd. provided Mainland China enterprise income tax at a rate of 7.5% (2000 – Nil).

4. Earnings per share

The calculation of basic earnings per share for the year ended 30th June, 2001 is based on the consolidated profit attributable to shareholders of approximately RMB56,830,000 (2000 – RMB9,130,000) and on the weighted average number of approximately 279,000,000 (2000 – 270,000,000) ordinary shares deemed to be in issue during the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the year ended 30th June, 2001 (2000 – Nil).

6. RESERVES

Movements of reserves were:

	Share premium RMB'000	Contributed Surplus RMB'000	Capital reserve RMB'000	Property revaluation reserve RMB'000	(Accumulated deficit)/ Retained profit RMB'000	Total RMB'000
1st July, 1999	—	—	—	—	(2,341)	(2,341)
Increase of effective interest in a subsidiary	—	—	4,738	—	—	4,738
Profit for the year	—	—	—	—	9,130	9,130
1st July, 2000	—	—	4,738	—	6,789	11,527
Effect of the Reorganisation Premium on issue of shares through placing of 67,500,000 ordinary shares of HK\$0.1 each at HK\$0.9 (equivalent of RMB0.954) per share	—	—	41,377	—	—	41,377
	57,240	—	—	—	—	57,240
Premium on issue of shares of 10,125,000 ordinary shares of HK\$0.1 each at HK\$0.9 (equivalent of RMB0.954) per share upon exercise of over-allotment option	8,586	—	—	—	—	8,586
Share issuance expenses	(22,032)	—	—	—	—	(22,032)
Capitalisation of shares premium of HK\$26,900,000 (equivalent of RMB28,514,000)	(28,514)	—	—	—	—	(28,514)
Surplus on revaluation of land and buildings	—	—	—	256	—	256
Profit for the year	—	—	—	—	56,830	56,830
30th June, 2001	<u>15,280</u>	<u>—</u>	<u>46,115</u>	<u>256</u>	<u>63,619</u>	<u>125,270</u>

7. FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30th June, 2001 (2000 – Nil).

8. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

By Order of the Board
Lin Wan Qaing
Chairman

Hong Kong, 24th September, 2001

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