
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 Sinotronics Holdings Limited (the “Company”), you should at once hand this circular, together with the form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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SINOTRONICS HOLDINGS LIMITED

(華 翔 電 路 控 股 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)

GENERAL MANDATES TO REPURCHASE

AND

ISSUE SHARES

This circular, for which the directors of 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 (“GEM”) of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

28th September, 2001

This circular will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of its posting.

** for identification purposes only*



SINOTRONICS HOLDINGS LIMITED

(華 翔 電 路 控 股 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)

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Lin Wan Qaing (*Chairman*)

Xiang Song

Lin Wan Peng

Registered office:

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British West Indies

Independent non-executive Directors:

Liu Zhao Cai

Lam Ming Yung

Pan Chang Chi

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Wanchai, Hong Kong

28th September, 2001

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

INTRODUCTION

The purpose of this circular is to give you information regarding some of the resolutions to be proposed at the annual general meeting of Sinotronics Holdings Limited (the “Company”) to be held at Room 2807, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 31st October, 2001 at 11:00 a.m. (the “Annual General Meeting”). The resolutions include granting to the directors of the Company (the “Directors”) general and unconditional mandates (the “General Mandates”) to repurchase and issue shares with nominal value of HK\$0.10 each in the capital of the Company (each a “Share”).

GENERAL MANDATES

At the Annual General Meeting, separate ordinary resolutions will be proposed to grant to the Directors the general and unconditional mandates to :

- (i) repurchase such number of Shares which represents up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution (the “Repurchase Mandate”);

LETTER FROM THE CHAIRMAN

- (ii) allot and issue further Shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution; and
- (iii) add to the general mandate for issuing Shares set out in (ii) above the number of Shares repurchased by the Company pursuant to the Repurchase Mandate.

The General Mandates will end on the earliest of the date of the next annual general meeting of the Company, the date by which the next annual general meeting of the Company is required to be held by the Company's articles of association, the Companies Law (Revised) of the Cayman Islands or any other applicable law of the Cayman Islands, or the date upon which such authority is revoked or varied by way of ordinary resolution of the Company in general meeting.

An explanatory statement containing all the relevant information relating to the proposed Repurchase Mandate is set out in the Appendix to this circular. The information in the explanatory statement is to provide the information reasonably necessary to enable shareholders of the Company (the "Shareholders") to make an informed decision on whether to vote for or against the resolutions.

ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting is set out in the 2001 annual report of the Company which has been despatched to the Shareholders together with this circular. At the Annual General Meeting, resolutions relating to the General Mandates will be proposed as ordinary resolutions for your consideration and approval.

A form of proxy for the Annual General Meeting is enclosed with this circular. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's principal office in Hong Kong at Room 2807, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the meeting. The completion of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person.

RECOMMENDATION

The Directors are of the opinion that the proposals referred to above are in the best interests of the Company and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting. The Directors have indicated that the votes attaching to the Shares owned by them would be cast in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
Lin Wan Qaing
Chairman

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This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 and other relevant provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) which is set out as follows:

1. REGULATIONS OF THE GEM LISTING RULES

(a) Shareholders’ approval

All repurchases of securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

(b) Source of funds

Any repurchase must be financed out of funds legally available for the purpose in accordance with the Company’s memorandum and articles of association and the applicable laws of the Cayman Islands.

(c) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) the total number of shares which represent up to a maximum of 10% of the aggregate nominal amount of the existing issued share capital of that company at the date of passing of the relevant resolution granting the repurchase mandate. A company may not, without prior approval from the Stock Exchange, issue or announce a proposed issue of new shares for a period of 30 days immediately following a share repurchase whether on GEM or otherwise (other than an issue of shares pursuant to the share options or similar instruments requiring the company to issue shares which were outstanding prior to the repurchase). A company is also prohibited from making share repurchases on GEM if that repurchase would result in the number of the Company’s listed shares in public hands fall below the relevant minimum prescribed percentage for that company as determined by the Stock Exchange. A company may only purchase shares on GEM if (1) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the GEM Listing Rules, whichever is higher; and (2) the company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the GEM Listing Rules.

(d) **Status of repurchased shares**

The listing of all repurchased shares (whether on GEM or otherwise) are automatically cancelled and the relevant share certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal amount of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) **Suspension of repurchase**

Any share repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its own shares on GEM, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a company from making purchase of its own shares on GEM if a company has breached the GEM Listing Rules.

(f) **Reporting requirements**

Repurchases of shares on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of share repurchases made during the financial year under review, showing the number of shares repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall procure that any broker appointed by the company to effect the purchase of its own shares shall disclose to the Stock Exchange such information with respect to repurchases made on behalf of the company as the Stock Exchange may request.

(g) **Connected parties**

Under the GEM Listing Rules, a company shall not knowingly purchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at 24th September, 2001, being the latest practicable date prior to the printing of this circular (the "Latest Practicable Date"), and to the best of the knowledge of the Directors having made all reasonable enquires, none of the Directors or their respective associates or any connected persons has a present intention to sell Shares to the Company, in the event that the Repurchase Mandate is approved by the Company's shareholders.

2. EXERCISE OF THE REPURCHASE MANDATE

Exercise in full of the Repurchase Mandate, on the basis of 347,625,000 Shares in issue as at the Latest Practicable Date, could result in up to 34,762,500 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by the Company's articles of association, the Companies Law (Revised) of the Cayman Islands or any other applicable law of the Cayman Islands; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Company in general meeting, whichever occurs first.

3. REASONS FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purposes in accordance with its memorandum and articles of association and the applicable laws of the Cayman Islands. The Company may not repurchase shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

5. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules, the Company's memorandum and the articles of association and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company or its subsidiaries, or has undertaken not to do so.

7. TAKEOVER CODE

If a shareholder’s proportionate interest in the voting capital of the Company increases as a result of a repurchase of Shares, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “Code”). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder’s interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Code.

As at the Latest Practicable Date, Mr. Lin Wan Qaing, which is a substantial shareholder of the Company, held approximately 66.8% of the issued share capital of the Company. In the event that the Directors exercised in full the power to repurchase Shares in accordance with the Repurchase Mandate, the total shareholdings of Mr. Lin Wan Qaing in the Company would be increased to approximately 74.2% of the issued share capital of the Company. The Directors believe that such increase would not give rise to an obligation to make a mandatory offer under Rule 26 and 32 of the Code. Further, the Directors do not have a present intention to exercise the Repurchase Mandate to the extent as to give rise to an obligation by Mr. Lin Wan Qaing to make a mandatory offer under Rule 26 and 32 of the Code.

8. SHARE PURCHASE MADE BY THE COMPANY

No purchases of Shares have been made by the Company since the date of listing of its Shares on GEM on 17th May, 2001, whether on GEM or otherwise.

9. SHARE PRICES

The highest and lowest prices at which the Shares traded on GEM during each of the previous four months since the date of listing and before the printing of this circular are as follows:

	Price per Share	
	Highest HK\$	Lowest HK\$
May, 2001	2.125	1.310
June, 2001	2.125	1.400
July, 2001	1.540	0.910
August, 2001	1.070	0.850