



SINOTRONICS HOLDINGS LIMITED

(華 翔 電 路 控 股 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
INTERIM RESULTS FOR THE SIX MONTHS ENDED
31ST DECEMBER, 2001**

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*

This announcement is to provide supplemental information in relation to the management discussion and analysis of the interim results of Sinotronics Holdings Limited for the six months ended 31st December, 2001, and for compliance with certain provisions stipulated in Rule 18.41 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

This announcement is to provide supplemental information in relation to the management discussion and analysis of the interim results of Sinotronics Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) for the six months ended 31st December, 2001, and for compliance with certain provisions stipulated in Rule 18.41 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

The unaudited consolidated turnover of the Group for the three months ended 31st December, 2001 amounted to approximately RMB47,238,000, representing an increase of approximately 19.3% over the unaudited combined turnover of the Group of approximately RMB39,590,000 for the corresponding three months ended 31st December, 2000. The unaudited consolidated profit of the Group for the three months ended 31st December, 2001 amounted to approximately RMB15,195,000, representing an increase of approximately 10.2% as compared to the unaudited combined profit of the Group of approximately RMB13,790,000 for the corresponding three months ended 31st December, 2000. The unaudited gross profit margin of the Group for the three months ended 31st December, 2001 was approximately 50.9%, which was approximately 1.0% lower than the unaudited gross profit margin of the Group of approximately 51.9% for the corresponding three months ended 31st December, 2000.

During the three months ended 31st December, 2001, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies and it is the same for the comparative three months ended 31st December, 2000.

During the three months ended 31st December, 2001, the employment cost (including directors’ emoluments) amounted to approximately RMB2,334,000 (*three months ended 31st December, 2000 – RMB1,760,000*) The increase in total employment cost of the Group of approximately RMB574,000 was resulted from the fact that some of the high pay individuals (including directors and other employees) have been employed since October 2000.

On the other hand, the unaudited consolidated turnover of the Group for the six months ended 31st December, 2001 amounted to approximately RMB97,737,000, representing an increase of approximately 24.4% over the unaudited combined turnover of the Group of approximately RMB78,542,000 for the corresponding six months ended 31st December, 2000. The unaudited consolidated profit of the Group for the six months ended 31st December, 2001 was approximately RMB31,478,000, representing an increase of approximately 14.7% as compared to the unaudited combined profit of the Group of approximately RMB27,439,000 for the corresponding six months ended 31st December, 2000. The unaudited gross profit margin of the Group for the six months ended 31st December, 2001 was approximately 50.1%, which was approximately 0.1% higher than the unaudited gross profit margin of the Group of approximately 50.0% for the corresponding six months ended 31st December, 2000.

The increase in the Group's turnover for the six months ended 31st December, 2001 was mainly attributable to the increase in sales of multilayer PCBs with higher number of the layers and the provision of relevant design and assembly services to the customers. Such increase in sales was mainly attributable to the Group's acquisitions of additional multilayer equipment to produce multilayer PCBs with greater number of layers in accordance with the Group's business objectives set out in the section headed "Statement of business objectives" in the prospectus of the Company dated 11th May, 2001. During the six months ended 31st December, 2001, turnover of multilayer PCBs amounted to approximately 52 million, representing an increase of approximately 53.8% over the same period last year. Furthermore, in view of the recession of the U.S. and Japanese economy which significantly affected the electronics industry of not only themselves but also other developed countries and regions in the world, the management and marketing personnel re-focused in the development of the PRC markets for the Group's products with success. During the six months ended 31st December, 2001, the turnover of the Group attributable to sales to PRC customers amounted to approximately RMB88,652,000, representing approximately 90.7% of the turnover of the Group and an increase of approximately 52.9% over the same period last year.

Subsidy is a non-recurring and one-off grant given by the provincial government committee to support the Group's product development projects and was determined on a discretionary basis. During the six months ended 31st December, 2001, the Group did not receive any such subsidy (*six months ended 31st December, 2000 – RMB400,000*).

The selling and distribution expenses of the Group during the six months ended 31st December, 2001 amounted to approximately RMB2,080,000, representing approximately 2.1% of the turnover of the Group and an decrease of approximately RMB390,000, or approximately 15.8% over the same period last year. The decrease in selling and distribution expenses was primarily resulted from the decrease in transportation cost of approximately RMB414,000 compared to that reported in the same period last year. Such decrease in transportation cost was mainly resulted from an approximately RMB11,482,000 decrease in overseas sales.

The general and administrative expenses of the Group amounted to approximately RMB6,058,000, representing approximately 6.2% of the turnover of the Group and an increase of approximately RMB1,714,000, or approximately 39.4% over the same period last year. The increase in general and administrative expenses was primarily resulted from the increase in salaries and allowances and entertainment expense of approximately RMB1,090,000 and RMB383,000 respectively, compared to that reported in the previous period.

The finance cost of the Group amounted to approximately RMB1,730,000, representing approximately 1.8% of the Group's turnover and a decrease of approximately RMB852,000, or approximately 33% over the same period last year. The decrease in finance cost was principally due to the decrease in bank borrowings.

During the six months ended 31st December, 2001, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi, all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

During the six months ended 31st December, 2001, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies and it is the same for the comparative period ended 31st December, 2000.

As at 31st December, 2001, the Group employed a total of 456 employees. It is a policy of the Group to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the six months ended 31st December, 2001, the employment cost (including directors' emoluments) amounted to approximately RMB4,737,000 (*six months ended 31st December, 2000 – RMB3,265,000*). The increase in total employment cost the Group of approximately RMB1,475,000 was resulted from the fact that some of the high pay individuals (including directors and other employees) have been employed since October 2000.

As at 31st December, 2001, the Group had no significant investment held, and it is the same as the comparative year ended 30th June, 2001.

As at 31st December, 2001, there were no charges on group assets, and it is the same as the comparative year ended 30th June, 2001.

As at 31st December, 2001, the Group had no future plans for material investments except that capital assets will be purchased in accordance with the details set out in the section headed "Statement of business objectives" in the prospectus of the Company dated 11th May, 2001.

As at 31st December, 2001, the Group had no contingent liabilities, and it is the same as the comparative year ended 30th June, 2001.

By order of the Board
Sinotronics Holdings Limited
Tong Yiu On
Company Secretary

Hong Kong, 13th March, 2002

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