

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.



SINOTRONICS HOLDINGS LIMITED

(華 翔 微 電 子 控 股 有 限 公 司) *

(incorporated in the Cayman Islands with limited liability)

PLACING OF EXISTING SHARES AND TOPPING UP SUBSCRIPTION OF NEW SHARES AND DISCLOSEABLE TRANSACTION

Placing Agent



Guotai Junan Securities (Hong Kong) Limited

Financial advisers to Sinotronics Holdings Limited

**Deloitte & Touche
Corporate Finance Ltd**

The Placing and Subscription Agreement was entered into on 13 June 2002, pursuant to which the Placing Agent has agreed to place unconditionally, on a fully underwritten basis, the Placing Shares to independent third parties at HK\$1.35 per Placing Share.

Pursuant to the Placing and Subscription Agreement, Mr Lin has conditionally agreed to subscribe for the Subscription Shares at HK\$1.35 each.

Both the price per Placing Shares and the price per Subscription Share are identical, and represent a discount of approximately 4.26 per cent. to the closing price of HK\$1.41 per Share as quoted on the Stock Exchange on 13 June 2002, being the last day of trading of the Shares on the Stock Exchange prior to the release of this announcement, and a discount of approximately 6.25 per cent. to the average closing price of approximately HK\$1.44 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 13 June 2002.

Completion of the Placing is unconditional. The Subscription is conditional upon completion of the Placing and the GEM Listing Committee granting the listing of and permission to deal in the Subscription Shares.

* for identification only

The net proceeds from the Subscription are estimated to be approximately HK\$45 million. It is the present intention of the Company to apply the net proceeds mainly for potential equity investment(s) in business(es) which the Directors consider would enhance its system design expertise, achieve economies of scale and help fulfil its long-term strategic objectives (as stated under the section headed "Statement of business objectives" in the Prospectus). In the event that the net proceeds raised exceeds the total cash consideration for such equity investment(s), the Directors intend to apply such surplus cash as general working capital of the Group.

The Subscription constitutes a discloseable transaction under Rule 19.06(2) of the GEM Listing Rules. A circular containing, among other matters, details of the Subscription will be despatched to the shareholders of the Company within 21 days after the date of publication of this announcement.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 14 June 2002 pending the release of this announcement. Application has been made by the Company for resumption of trading in the Shares with effect from 9:30 a.m. on 17 June 2002.

The Placing and Subscription Agreement dated 13 June 2002 was entered into among the Company, Mr Lin and the Placing Agent.

THE PLACING

Vendor:

Mr Lin, the substantial shareholder and initial management shareholder of the Company.

As at the date of this announcement, Mr Lin was the beneficial owner of 232,203,780 Shares, representing approximately 63.16 per cent. of the existing issued share capital of the Company. Upon completion of the Placing but before completion of the Subscription, Mr. Lin will be beneficially interested in approximately 53.64% of the issued share capital of the Company.

Number of Placing Shares:

A total of 35,000,000 Shares, representing approximately 9.52 per cent. of the existing issued share capital of the Company.

Placees:

Not fewer than six independent professional, institutional and/or private investors to be procured by the Placing Agent on a fully underwritten basis.

Placing price:

HK\$1.35 per Placing Share.

The price was determined after arm's length negotiations among the Company, Mr Lin and the Placing Agent. The price represents (i) a discount of approximately 4.26 per cent. to the closing price of HK\$1.41 per Share as quoted on the Stock Exchange on 13 June 2002, being the last day of trading in the Shares on the Stock Exchange prior to the release of this announcement; and (ii) a discount of approximately 6.25 per cent. to the average closing price of approximately HK\$1.44 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 13 June 2002.

Placing Agent:

Guotai Junan Securities (Hong Kong) Limited has agreed to place unconditionally, on a fully underwritten basis, the Placing Shares to independent third parties for Mr Lin.

Independence of the Placing Agent and placees:

The Placing Agent is independent of and not connected with Mr Lin, any of the directors, chief executive, substantial shareholders or management shareholders of the company or any of their respective associates. The placees to be procured by the Placing Agent pursuant to the Placing will be independent of and not connected with Mr. Lin, any of the directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates.

Condition of the Placing:

The Placing is unconditional.

Completion of the Placing:

On or before 17 June 2002 (or such later time and date as Mr Lin and the Placing Agent may otherwise agree). The Company will issue an announcement on further details of the placees in accordance with the GEM Listing Rules following completion of the Placing.

THE SUBSCRIPTION

Subscriber:

Mr Lin. Upon completion of the Placing and Subscription, Mr Lin will be beneficially interested in approximately 57.67 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Number of Subscription Shares:

35,000,000 Subscription Shares, representing approximately 9.52 per cent. of the existing issued share capital of the Company or approximately 8.69 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Subscription price:

HK\$1.35 per Subscription Share, which is equivalent to the price per Placing Share.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of Shareholders passed at the annual general meeting of the Company held on 31 October 2001, to the extent not utilised by the Directors. Pursuant to such general mandate, the Directors are authorised to exercise the powers of the Company to allot and issue up to 69,525,000 Shares, representing 20 per cent of the issued share capital of the Company as at the date of passing of the resolution.

The Directors have exercised the powers under the general mandate for the allotment and issue of 20,000,000 Shares pursuant to a placing and subscription agreement dated 25 March 2002 entered into among the Company, Mr Lin and the Placing Agent. The Directors confirmed that of the net proceeds of approximately HK\$19 million raised from that placing and subscription, approximately HK\$13.5 million had been applied for the acquisition of PCB fabrication and assembly facilities, while the remaining approximately HK\$5.5 million is placed with financial institutions in Hong Kong and the PRC.

Ranking of the Subscription Shares:

The Subscription Shares, when issued and fully paid on allotment, will rank equally in all respects among themselves and with all other Shares in issue as at the date of such allotment pursuant to the Placing and Subscription Agreement.

Conditions of the Subscription:

The Subscription is conditional upon completion of the Placing pursuant to the Placing and Subscription Agreement and the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

Completion of the Subscription shall take place at 5:00 p.m. on the business day immediately following the date of fulfillment of the above conditions provided that such date shall not be later than the date falling 14 days after the date of the Placing and Subscription Agreement.

As the Subscription constitutes a connected transaction under Chapter 20 of the GEM Listing Rules, completion of the Subscription is required to take place within 14 days of the date of the Placing and Subscription Agreement, otherwise Shareholders' approval would be required for the Subscription. If the conditions referred to above are not fulfilled by 27 June 2002 (or such later time or date as may be agreed by the Placing Agent, Mr Lin and the Company), all rights, obligations and liabilities of the parties to the Placing and Subscription Agreement in relation to the Subscription will cease and determine.

APPLICATION FOR LISTING

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE PLACING AND SUBSCRIPTION

The Directors consider that it is in the interests of the Company to raise further capital from the equity market by way of the Placing and the Subscription in order to enhance the capital base of the Company, thereby giving it greater flexibility in its funding and to increase the shareholders' base of the Company. In the meantime, the Directors consider that a rights issue or open offer would take a relative long time and be much more expensive to arrange compared with a placing and subscription exercise.

As the Company received an offer from the Placing Agent, the Company requested Mr Lin, who as at the date of this announcement held sufficient number of Shares for the purposes of the Placing, to place the Placing Shares to the Placing Agent in the interests of time. As Mr Lin intends to maintain his shareholding in the capital of the Company, he will subscribe for the same number of Subscription Shares which will result in his maintaining the same number of Shares he held in the Company prior to the Placing.

The Directors (including the independent non-executive Directors) considered that the terms of the Placing and Subscription Agreement were fair and reasonable and they were in the best interests of the Company, as far as the Shareholders are concerned.

USE OF PROCEEDS

The Directors confirmed that the net proceeds raised from its initial share offer in May 2001 and the topping up subscription in March 2002 pursuant to the placing and subscription agreement dated 25 March 2002 entered into among the Company, Mr. Lin and the Placing Agent had been and would be applied for accomplishing plans in line with the stated business objectives of the Company.

The net proceeds after deducting related placing commission, professional fees and all related expenses, under the Subscription of 35,000,000 new Shares are estimated to be approximately HK\$45 million. It is the present intention of the Company to apply the net proceeds mainly for potential equity investment(s) in business(es) which the Directors consider would enhance its system design expertise, achieve economies of scale and help fulfil its long-term strategic objectives (as stated under the section headed "Statement of business objectives" in the Prospectus). The Directors confirmed that they have not positively identified any such potential investment(s) as at the date of this announcement. The Company will issue an announcement on such equity investment(s) as and when it/they materialise(s). The Directors consider that the said intended equity investment(s) will be in accordance with the specific business objectives stated in the Prospectus. The Directors further acknowledged that in the event where any such equity investment(s) constitutes material change to the general character or nature of the business of the Company, the Company shall make an announcement of such change immediately after it has been the subject of any decision and it will (if so required) seek the prior approval of independent shareholders of the Company in compliance with Rule 17.25 of the GEM Listing Rules.

GENERAL

As described in the Prospectus, under the GEM Listing Rules, Mr Lin is the initial management shareholder of the Company and was, at the time of listing of the Shares on GEM, subject to a moratorium period of two years. As a result of an application jointly made by Deloitte & Touche Corporate Finance Limited and JS Cresvale International

Limited, the sponsor and co-sponsor respectively of the Company, on behalf of the Company, the Stock Exchange, upon the initial public offering of the Shares, granted a waiver to the effect that the moratorium period applicable to Mr Lin have been reduced from two years to six months after listing on the condition that Mr Lin will not dispose (or enter into any agreement to dispose) any of his Shares in the second six-month period after listing if such disposal would result in him ceasing to have control, directly or indirectly, over 35 per cent. of the voting rights at general meetings of the Company.

Since the Company was listed on GEM on 17 May 2001, Mr Lin is no longer subject to moratorium period requirement under the GEM Listing Rules.

The Placing and Subscription constitute an exempted connected transaction of the Company under Rule 20.23(3)(d) of the GEM Listing Rules on the condition that completion of the Subscription is to take place within 14 days of the date of the Placing and Subscription Agreement. The Subscription also constitutes a discloseable transaction under Rule 19.06(2) of the GEM Listing Rules. A circular containing, among other matters, details of the Subscription will be despatched to the shareholders of the Company within 21 days after the date of publication of this announcement.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 14 June 2002 pending the release of this announcement. Application has been made by the Company for resumption of trading in the Shares with effect from 9:30 a.m. on 17 June 2002.

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Company”	Sinotronics Holdings Limited
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM Listing Committee”	the listing committee of the Stock Exchange with responsibility for GEM
“Mr Lin”	an executive Director and the chairman of the Company
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited
“Placing Shares”	35,000,000 existing Shares held by Mr Lin

“Placing and Subscription Agreement”	the placing and subscription agreement dated 13 June 2002 between the Company, Mr Lin and the Placing Agent
“Prospectus”	the prospectus of the Company dated 11 May 2001 in relation to the initial public offer of the Shares on GEM
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Mr Lin pursuant to the Placing and Subscription Agreement
“Subscription Shares”	35,000,000 new Shares to be subscribed by Mr Lin, equivalent to the number of the Placing Shares placed under the Placing and Subscription Agreement

By order of the Board of
Sinotronics Holdings Limited
Lin Wan Qaing
Chairman

Hong Kong, 14 June 2002

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication.