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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Sinotronics Holdings Limited.



SINOTRONICS HOLDINGS LIMITED

(華翔微電子控股有限公司)*

(incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION IN RESPECT OF SUBSCRIPTION OF NEW SHARES

This circular will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for at least seven days from the date of its publication.

* For identification only

CHARACTERISTICS OF GEM

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 at <http://www.hkgem.com> in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

| | |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| “associate(s)” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Board” | the board of Directors |
| “Company” | Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM |
| “Director(s)” | director(s) of the Company |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Committee” | the listing sub-committee of the board of the Stock Exchange with responsibility for GEM |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “Latest Practicable Date” | 28 June 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Mr Lin” | Mr. Lin Wan Qaing, an executive Director and the Chairman of the Company |
| “Placing” | the placing of the Placing Shares pursuant to the Placing and Subscription Agreement |
| “Placing Agent” | Guotai Junan Securities (Hong Kong) Limited |
| “Placing and Subscription Agreement” | the placing and subscription agreement dated 13 June 2002 entered into among the Company, Mr Lin and the Placing Agent |
| “Placing Shares” | 35,000,000 issued Shares held by Mr Lin prior to completion of the Placing |
| “Prospectus” | the prospectus of the Company dated 11 May 2001 in relation to the initial public offer of the Shares on GEM |
| “SDI Ordinance” | Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) |
| “Shares” | share(s) of HK\$0.10 each in the share capital of the Company |
| “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 |



SINOTRONICS HOLDINGS LIMITED

(華翔微電子控股有限公司)*

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Lin Wan Qaing (*Chairman*)
Liu Zhao Cai (*Vice-chairman*)
Xiang Song
Lin Wan Peng

Independent non-executive Directors:

Lam Ming Yung
Pan Chang Chi

Registered Office:

Century Yard,
Cricket Square,
Hutchins Drive
P.O. Box 2691 GT,
George Town,
Grand Cayman,
British West Indies

Head Office and

Principal Place of Business:

Room 1805, 18/F.,
Harbour Centre,
25 Harbour Road,
Wanchai,
Hong Kong

3 July 2002

To the shareholders of the Company

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
IN RESPECT OF
SUBSCRIPTION OF NEW SHARES**

INTRODUCTION

On 14 June 2002, the Company announced that it had entered into the Placing and Subscription Agreement with the Placing Agent and Mr Lin pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, the Placing Shares at HK\$1.35 per Placing Share on behalf of Mr Lin to not fewer than six independent professional, institutional and/or private investors independent of and not connected with Mr Lin, any of the Directors, chief executive, substantial shareholders or management shareholders (as “substantial shareholders” and “management shareholders” are defined in the GEM Listing Rules) of the Company or any of their respective associates. Pursuant to the same agreement, Mr Lin has agreed with the Company to subscribe for the Subscription Shares at HK\$1.35 per Subscription Share, which is equivalent to the price per Placing Share.

* For identification only

LETTER FROM THE BOARD

The Subscription constitutes a discloseable transaction of the Company under the GEM Listing Rules. The purpose of this circular is to provide you with information of the Subscription in compliance with the GEM Listing Rules.

THE SUBSCRIPTION

Subscriber:

Mr Lin.

Number of Subscription Shares:

35,000,000 new Shares, representing (i) approximately 9.52 per cent. of the issued share capital of the Company immediately prior to completion of the Subscription; and (ii) approximately 8.69 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription price:

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

The price was determined after arm's length negotiations between 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 of the Shares on the Stock Exchange prior to the release of the Company's announcement dated 14 June 2002 regarding the Placing and the Subscription; 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.

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

Mandate to allot and issue new Shares:

The Subscription Shares have been issued pursuant to the general mandate granted to the Directors pursuant to a resolution of shareholders of the Company 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 had 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.

Ranking of the Subscription Shares:

The Subscription Shares, when issued and fully paid on allotment, 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.

LETTER FROM THE BOARD

Conditions of the Subscription:

The Subscription is conditional upon:

- (1) completion of the Placing pursuant to the Placing and Subscription Agreement and;
- (2) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

The Placing was completed on 19 June 2002 in accordance with the terms of the Placing and Subscription Agreement. Pursuant to the Placing, the Placing Agent had placed the Placing Shares on behalf of Mr Lin to 11 individual placees 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. Accordingly, the above condition (1) has been fulfilled and an announcement regarding completion of the Placing dated 19 June 2002 was issued by the Company in compliance with the GEM Listing Rules.

Application had been made for the granting of the listing of, and permission to deal in, the Subscription Shares on 20 June 2002. The GEM Listing Committee granted the listing of and permission to deal in the Subscription Shares on 26 June 2002 and accordingly the above condition (2) has also been fulfilled.

Following the fulfilment of the pre-conditions of the Subscription, the Subscription was completed on 27 June 2002 in accordance with the terms of the Placing and Subscription Agreement whereby Mr Lin subscribed for the Subscription Shares. All necessary arrangements have been made for the Subscription Shares to be admitted into CCASS.

The Directors confirm that there is no change in control of the Company immediately following completion of the Placing and the Subscription.

EFFECTS OF THE PLACING AND THE SUBSCRIPTION

The shareholding of Mr Lin in the Company immediately before completion of the Placing and the Subscription, immediately after completion of the Placing but before completion of the Subscription, and immediately after completion of both the Placing and the Subscription were as follows:

| | Approximate percentage of shareholding in the Company held by Mr Lin | Number of Shares in the Company held by Mr Lin |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Immediately before completion of the Placing and the Subscription | 63.16% | 232,203,780 |
| Immediately after completion of the Placing but before completion of the Subscription | 53.64% | 197,203,780 |
| Immediately after completion of both the Placing and the Subscription | 57.67% | 232,203,780 |

LETTER FROM THE BOARD

EXPENSES

The Company will bear all the costs and expenses of approximately HK\$2.6 million incurred in relation to the Placing and the Subscription. It will reimburse Mr Lin for all costs and expenses incurred by him in relation to the Placing and the Subscription.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Group is an electronic manufacturing services provider in the PRC offering a full range of solutions to electronics ODMs and OEMs throughout the production cycle of PCBs, which covers layout design, development, prototyping, fabrication and testing. In order to provide comprehensive solutions to customers, the Group also assists its customers to arrange PCB assembly and sub-system testing (such terms as defined in the Prospectus).

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 had received an offer from the Placing Agent, the Company requested Mr Lin, who then 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 intended to maintain his shareholding in the Company, he has agreed to subscribe, and has subscribed, for the same number of Subscription Shares which resulted in his maintaining the same number of Shares he held in the Company prior to the Placing.

USE OF PROCEEDS

The Directors confirmed that the net proceeds raised from its initial share offer in May 2001 had been fully applied for accomplishing plans in accordance with the specific business objectives as stated in the Prospectus. The Directors further advised that of the net proceeds of approximately HK\$19 million raised from 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, approximately HK\$13.5 million had been applied, while the remaining balance of approximately HK\$5.5 million will be applied for accomplishing plans in accordance with the specific business objectives as stated in the Prospectus.

The net proceeds of the Subscription, after deducting related placing commission, professional fees and all related expenses, amount to approximately HK\$44.6 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 consider that the intended equity investment(s) will be made in accordance with the specific business objectives as stated in the Prospectus.

Your attention is drawn to the general information set out in the appendix to this circular.

By order of the Board of
SINOTRONICS HOLDINGS LIMITED
Mr Lin Wan Qaing
Chairman

RESPONSIBILITY STATEMENT

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters, the omission of which would make any statement in this circular misleading; and
- (c) 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.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which had been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests in which each of them is 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 Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows :

| Name | Type of interest | Number of Shares held | Percentage of issued share capital |
|--------|------------------|-----------------------|------------------------------------|
| Mr Lin | Personal | 232,203,780 | 57.67 |

Save as disclosed above, none of the Directors, the chief executive or their associates had any interests in the share capital of the Company or its associated corporations (within the meaning of the SDI Ordinance).

SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, according to the register kept by the Company under section 16(1) of the SDI Ordinance and so far as is known to the Directors, the following person was interested or taken or deemed to be interested in 10 per cent. or more of the issued share capital of the Company:

| Name | Number of Shares held | Percentage of issued share capital |
|------------------------|-----------------------|------------------------------------|
| Mr Lin (<i>Note</i>) | 232,203,780 | 57.67 |

Note: Mr Lin is also the controlling shareholder and initial management shareholder of the Company for the purpose of the GEM Listing Rules.

Other than as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at the Latest Practicable Date.

SPONSOR'S INTERESTS

As at the Latest Practicable Date, neither Deloitte & Touche Corporate Finance Limited, the sponsor to the Company ("Sponsor") nor its associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Placing and Subscription, other than the Sponsor's interests, rights and obligations in an agreement dated 11 May 2001 entered into between the Company and the Sponsor in respect of the engagement of the Sponsor as the Company's sponsor for the remainder of the financial year of the Company ended 30 June 2001 and two years thereafter.

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation).

GENERAL

- (i) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company is at Room 1805, 18th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The share registrar and transfer office of the Company is Hong Kong Registrars Limited at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong.
- (ii) Mr Tong Yiu On is the company secretary and qualified accountant of the Company. He is an associate member of the Association of Chartered Certified Accountants (ACCA) and the Hong Kong Society of Accountants (HKSA).
- (iii) The compliance officer of the Company appointed under Rule 5.14 of the GEM Listing Rules is Mr Lin Wan Qaing.
- (iv) The Company has established an audit committee with written terms of reference based upon guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Group's annual reports, half-year and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will be responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely Mr Lam Ming Yung and Mr Pan Chang Chi.
- (v) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each, of which 402,625,000 Shares have been issued and fully paid up.