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## **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 relation to the acquisition of shares in the share capital of  
Floret Industries Limited**

#### **SUMMARY**

On 15th August, 2002 the Group entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of 49 shares of Floret Industries held by the Vendor, representing 49% of the issued share capital of Floret Industries, at a consideration of RMB47 million (equivalent to approximately HK\$44.6 million), which will be wholly satisfied in cash upon Completion by the Company out of the net proceeds raised from the placing and subscription of Shares announced by the Company on 14th June, 2002.

The Consideration is arrived at after arm's length negotiation and is based on normal commercial terms with reference to the prospective price-earnings multiple of 5.5 of Floret Industries.

Floret Industries is an investment holding company whose sole asset comprises the entire equity interest in Fuzhou Wei Mei, which in turns holds a 83% equity interest in Fuzhou Tin Fong as its sole asset. Fuzhou Tin Fong is a company principally engaged in the research, development, manufacture and sale of products as well as the provision of ancillary services in relation to the automation (自動化) and intellectualisation (智能化) of electric supply systems. These systems are composed of a variety of data processing hardware which, in general, would utilise PCBs as their components.

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole.

The Consideration for the Acquisition represents approximately 22.7% of the net tangible assets of the Group as at 31st March, 2002, therefore, the Acquisition constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

A circular containing further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

# SALE AND PURCHASE AGREEMENT DATED 15TH AUGUST, 2002

## Parties:

Vendor : Chen Hong Liang  
Purchaser : Dynamic Fortune Technology Limited

## Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to acquire from the Vendor 49 shares of Floret Industries held by the Vendor, representing 49% of the issued share capital of Floret Industries. The Group currently has no intention to acquire the remaining issued share capital of Floret Industries held by the Vendor. Prior to the date of the Sale and Purchase Agreement, Floret Industries is wholly-owned by the Vendor. Floret Industries is an investment holding company whose sole asset comprises the entire equity interest in Fuzhou Wei Mei, which in turns holds a 83% equity interest in Fuzhou Tin Fong as its sole asset. The remaining 17% equity interest in Fuzhou Tin Fong is owned by three Independent Third Parties. The three Independent Third Parties are 劉純, 陳敦, 黃偉 and their respective occupation is merchant.

Fuzhou Tin Fong is principally engaged in the research, development, manufacture and sale of products as well as the provision of ancillary services in relation to the automation (自動化) and intellectualisation (智能化) of electric supply systems. These systems are composed of a variety of data processing hardware which, in general, would utilise PCBs as their components.

Fuzhou Tin Fong is an equity joint venture company which is owned as to 83% by Fuzhou Wei Mei and as to the remaining 17% by the three Independent Third Parties. Pursuant to the joint venture agreement entered into among Fuzhou Wei Mei and the three Independent Third Parties, the parties thereto agreed to share the profit of the joint venture according to the ratio of their respective equity interest. The equity joint venture was established in the PRC on 14th September, 2001, with a total registered capital of RMB3,000,000 which is fully paid up, and for a term of 20 years commencing from 14th September, 2001 to 14th September, 2021. The Directors currently do not contemplate any changes to the terms or profit sharing ratios of the equity joint venture after Completion.

As at 30th June, 2002, the unaudited NAV of Fuzhou Tin Fong amounted to approximately RMB8,700,000 (equivalent to approximately HK\$8,256,000). For the period from the date its establishment up to 30th June, 2002, Fuzhou Tin Fong has recorded unaudited retained profits of approximately RMB4,500,000 (equivalent to approximately HK\$4,270,000).

## Consideration and payment terms:

The Consideration payable by the Group is RMB47 million (equivalent to approximately HK\$44.6 million) which will be wholly satisfied in cash upon Completion by the Group out of the net proceeds raised from the placing and subscription of Shares announced by the Company on 14th June, 2002. The Consideration is arrived at after arm's length negotiation and is based on normal commercial terms with reference to the prospective price-earnings multiple of 5.5 of Floret Industries, which is calculated based on the expected after tax profit of Floret Industries of approximately RMB21 million for the year ending 30th June,

2003. As Floret Industries only has a limited track record, the Directors consider that it is prudent to use the expected after tax profit of Floret Industries for the year ending 30th June, 2003 provided by the management of Floret Industries as the basis for such calculation. The Directors consider the pricing of the Acquisition to be favourable based on the financial due diligence conducted by the Group which included, among others, review of letters of intent and confirmed sales orders of Fuzhou Tin Fong, and the Directors' understanding that another similar business, which engages in the design and manufacturing of electric meter, electric supply systems and communications related products, and which is quoted on the stock exchange of Shenzhen, the PRC, has a market value of approximately 54.6 price-earnings multiple.

### **Conditions of Sale and Purchase Agreement:**

Completion of the Sale and Purchase Agreement is subject to the following conditions being fulfilled and remaining satisfied as at Completion:

- (1) completion to the satisfaction of the Company of its due diligence review of Floret Industries and its subsidiaries including, but not limited to, review of business, commercial, legal, financial and taxation aspects of each of Floret Industries and its subsidiaries;
- (2) all relevant licences, permits, approvals and authorisations which have been granted to Floret Industries or its subsidiaries with regard to all their respective business operations in Hong Kong or the PRC or elsewhere in the world being valid, final and subsisting up to their respective official dates of expiry (if any); and
- (3) no Event having occurred which constitutes a breach of any of warranties of the Sale and Purchase Agreement by the Vendor.

The Company may at its absolute discretion at any time waive in writing and such waiver may be made subject to such terms and conditions as are determined by the Company.

If the Conditions are not fulfilled or waived by the Purchaser on or before 15th October, 2002, the Sale and Purchase Agreement shall lapse and be of no further effect, and no party to the Sale and Purchase Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Sale and Purchase Agreement, including any breaches of the Conditions.

### **Completion of the Sale and Purchase Agreement:**

Completion shall take place within 7 Business Days after the fulfilment (or waiver) of the Conditions, whichever is earlier or such other date as the parties to the Sale and Purchase Agreement shall agree in writing, but in any event not later than 15th October, 2002.

Upon Completion, the Group shall appoint a new director to the board of directors of Floret Industries. Floret Industries currently has one director. The Group currently has no intention to appoint any new directors to the board of directors of Fuzhou Wei Mei or Fuzhou Tin Fong.

## INFORMATION ON THE COMPANY AND REASONS FOR THE ACQUISITION

The Group is an electronic manufacturing services provider in the PRC offering a full range of solutions to electronics ODMs and CEMs throughout the production cycle of PCBs, which covers initial circuit design, schematic capture and layout design, prototyping, fabrication and testing.

Fuzhou Tin Fong is an existing customer of the Group and approximately RMB360,000 purchases were made by Fuzhou Tin Fong for the year ended 30th June, 2002, representing less than 1% of the turnover of the Group. It is principally engaged in the research, development, manufacture and sale of products as well as the provision of ancillary services in relation to the automation (自動化) and intellectualisation (智能化) of electric supply systems. These systems are composed of a variety of data processing hardware which, in general, would utilise PCBs as their components.

The Group has been engaging in the research and development of technologies in fabricating, among other types, thick copper large power supply PCBs, diffraction PCBs and steel diffraction composite PCBs, which are applied in a variety of portable communications data storage and processing devices. As Fuzhou Tin Fong is a customer of the Group, the Group has been cooperating with Fuzhou Tin Fong in the design of its products and has been providing them with various production services. The Directors consider that the Acquisition would enhance this relationship and consolidate resources of both parties. The Group, by way of cooperation in the design and production of Fuzhou Tin Fong's products, has gained a lot of technical experiences which enabled the Group to provide to its customers more in-depth design services in relation to the storage and processing of data. Therefore, the Directors believe that significant synergies can be created through the Acquisition, whereby the Group will have access to technologies relevant to the design of various data processing hardware which are valuable to the Group in enhancing its research and development as well as design capabilities in respect of the fabrication of thick copper large power supply PCBs, diffraction PCBs and steel diffraction composite PCBs. Furthermore, the Directors believe that the Acquisition will significantly strengthen the business relationship between the two parties, which the Directors anticipate will lead to a continuous increase in secured orders from Fuzhou Tin Fong.

In addition to the above, with the anticipated market developments in the field of national electricity system automation in the PRC and the support of the PRC government in this respect, the Directors consider the Acquisition is also an investment with good potential equity return and accordingly, is in the interests of the Company and the Shareholders.

The Directors also consider that the Acquisition would enhance its system design expertise, achieve economies of scale and help fulfil its long-term objectives (as stated under the section headed "Statement of business objective" in the prospectus of the Company dated 11th May, 2001).

In view of the above, the Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole.

## GENERAL

The Consideration represents approximately 22.7% of the net tangible assets of the Group as at 31st March, 2002, therefore, the Acquisition constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules. The Consideration payable by the Group is RMB47 million (equivalent to approximately HK\$44.6 million) which will be wholly satisfied in cash upon Completion by the Group out of the net proceeds raised from the placing and subscription of Shares announced by the Company on 14th June, 2002.

A circular containing further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Acquisition”	the acquisition of 49 shares of Floret Industries, representing 49% of the issued share capital of Floret Industries, by the Company from Chen Hong Liang pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“CEMs”	contract manufacturers or contract electronics manufactures
“Company”	Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Completion”	the completion of the Sale and Purchase Agreement, which is expected to be on or before 15th October, 2002
“Conditions”	the conditions precedent as stipulated under the Sale and Purchase Agreement
“Consideration”	consideration for the Acquisition, being RMB47 million (equivalent to approximately HK\$44.6 million) payable in cash by the Company
“Director(s)”	the director(s) of the Company
“Event”	means any act, omission, transaction or circumstance occurring or subsisting at the relevant time

“Floret Industries”	Floret Industries Limited, a company incorporated in the British Virgin Islands with limited liability on 18th May, 2001
Fuzhou Tin Fong	福州天方科技有限公司, an equity joint venture company established in the PRC on 14th September, 2001
Fuzhou Wei Mei	福州威美電子有限公司, a wholly foreign owned enterprise established in the PRC on 20th June, 2001
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected with any of the Directors, chief executive, substantial shareholders or management shareholders of the Company or their respective associates as defined in the GEM Listing Rules
“NAV”	net asset value
“ODMs”	original design manufacturers
“Purchaser”	Dynamic Fortune Technology Limited, a company incorporated in the British Virgin Islands with limited liability on 2nd January, 2002 and an indirect wholly-owned subsidiary of the Company
“PCBs”	printed circuit boards
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15th August, 2002 and entered into between the Purchaser and the Vendor, whereby the Purchaser agreed to purchase and the Vendor agreed to sell 49 shares of Floret Industries, representing 49% of the issued share capital of Floret Industries
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” Chen Hong Liang, a merchant and an Independent Third Party who, prior to the date of the Sale and Purchase Agreement, holds the entire issued share capital of Floret Industries and save as disclosed herein, has no prior relationship with the Company or any of its connected persons (as defined in the GEM Listing Rules)

“%” per cent.

By Order of the Board  
**Sinotronics Holdings Limited**  
**Lin Wan Qaing**  
Chairman

Hong Kong, 15th August, 2002

\* *for identification purposes*

*In this announcement, certain amounts quoted in RMB have been translated into Hong Kong dollars at the reference rate of HK\$1.00 to RMB1.054 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.*

*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 GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its publication.*