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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)

ANNOUNCEMENT

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON
THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
WAIVER OF MINIMUM NOTICE PERIOD IN RESPECT
OF THE PROPOSED WITHDRAWAL,
PROPOSED TERMINATION OF THE SHARE OPTION SCHEME,
PROPOSED ADOPTION OF THE PROPOSED SHARE OPTION SCHEME
AND GENERAL MANDATES TO ISSUE SECURITIES
AND REPURCHASE SHARES**

Financial adviser to Sinotronics Holdings Limited

**Deloitte & Touche
Corporate Finance Ltd**

The Company is proposing to list the Shares on the Main Board by way of introduction. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn. In connection with the Introduction, the Company proposes to terminate the Share Option Scheme and adopt the Proposed Share Option Scheme and to grant to the Directors the general mandates to issue securities and repurchase Shares. A circular containing, among other things, a notice of the Extraordinary General Meeting will be despatched to the Shareholders on 21 December 2002. A listing document in connection with the Introduction will be despatched to the Shareholders for information purpose only on 24 December 2002.

Warning:

There is no assurance that permission will be obtained from the Stock Exchange for the Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Introduction are subject to the conditions set out below being fulfilled and thus may or may not become effective. Accordingly, the Proposed Withdrawal and the Introduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 27 September 2002, the Directors announced that the Company had submitted an advance booking form to the Stock Exchange for the proposed listing of the Shares on the Main Board by way of introduction and informed the Stock Exchange of its intention to voluntarily withdraw the listing of the Shares on GEM subject to the conditions set out below.

In connection with the Proposed Withdrawal and the Introduction, the Board proposes to seek the approval of the Shareholders of the relevant resolutions relating to the Proposed Withdrawal, the proposed reduction of the notice period for the Proposed Withdrawal, the proposed termination of the Share Option Scheme, the proposed adoption of the Proposed Share Option Scheme and the general mandates to issue securities and repurchase Shares. A circular containing, among other things, a notice of the Extraordinary General Meeting will be despatched to the Shareholders on 21 December 2002. A listing document in connection with the Introduction will be despatched to the Shareholders for information purposes only on 24 December 2002.

THE PROPOSED WITHDRAWAL AND THE INTRODUCTION

On 27 September 2002, the Directors announced that the Company had submitted an advance booking form to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or may, prior to its termination, be granted thereunder, or which may be granted under the Proposed Share Option Scheme on the Main Board. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn.

The Proposed Withdrawal and the Introduction will be conditional upon, amongst other things:

- (i) the Listing Committee of the Stock Exchange granting approval of the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or may, prior to its termination, be granted thereunder, or which may be granted under the Proposed Share Option Scheme to be approved and adopted by the Shareholders in the Extraordinary General Meeting;
- (ii) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the Proposed Withdrawal; and
- (iii) the publication of a notice of the Proposed Withdrawal after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained at the Extraordinary General Meeting which notice period shall not be less than five clear Business Days before the Effective Date.

Under the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (i) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (ii) the issuer has given its shareholders at least three month's notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to the GEM Listing Committee of the Stock Exchange for, and the GEM Listing Committee of the Stock Exchange has granted, a waiver for the minimum three month's notice required under the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (i) the notice period for the Proposed Withdrawal shall be a minimum period of five clear Business Days after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained;
- (ii) the prior approval of the Shareholders for the reduction of notice period for the Proposed Withdrawal to a minimum period of five clear Business Days shall have been obtained;
- (iii) in respect of the Shares, there is no change in the board lot size or share certificates, the share registrars and the trading currency in connection with the proposal to transfer its listing status; and
- (iv) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the Extraordinary General Meeting is convened to seek the approval of the Shareholders for, amongst other things, the Proposed Withdrawal and the proposed reduction of notice period for the Proposed Withdrawal.

The Directors consider that it is in the best interest of the Shareholders as a whole that such notice period be reduced so that the Proposed Withdrawal and the Introduction can be carried out as soon as practicable after obtaining relevant approvals from the Shareholders to minimise market uncertainties (if any).

Effects of the Proposed Withdrawal

It is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make further announcement after the Extraordinary General Meeting to publish the results of the Extraordinary General Meeting and the information relating to the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Introduction.

The Proposed Withdrawal and the Introduction will not have any effect on the existing share certificates and such share certificates will continue to be evidence of legal title. In addition, the Proposed Withdrawal and the Introduction will not involve any exchange of the existing share certificates. No change is proposed to be made to the board lot size, trading currency of the Shares and the share registrars of the Company in connection with the Proposed Withdrawal and the Introduction. Shares will continue to be traded in board lots of 4,000 Shares each following the Introduction. If and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.

The continuing obligations of listed issuers under the Listing Rules and the GEM Listing Rules are not the same. For example, the principal means of information dissemination by listed issuers on GEM is via the publication on the internet website operated by the Stock Exchange whereas the principal means of information dissemination for Main Board's listed issuers is through newspapers. In addition, the Main Board's listed issuers are not required to publish quarterly reports. It is the present intention of the Directors to continue to issue quarterly reports following the Introduction.

Reasons for the Proposed Withdrawal and the Introduction

The Group is an electronic manufacturing services provider in the PRC offering a range of solutions to electronics ODMs and CEMs throughout the production cycle of PCBs, covering pre-sale engineering services, schematic capture and PCB layout design, quick-turn prototyping and pre-production services as well as volume production and PCB assembly and sub-system creation and testing. The Group derives its revenue principally from the sale of single-sided, double-sided and multilayer PCBs fabricated by the Group under prototyping or volume production arrangements.

Since the commencement of listing of the Shares on GEM on 17 May 2001, the Group has experienced considerable growth and has increased its publicity. The Directors consider that listing of the Shares on the Main Board will enable the Company to gain further recognition from large institutional investors.

The Introduction will not affect the current business objectives and strategies of the Group. The Company will continue with its present business operations and will continue to pursue its business objectives as stated in the prospectus of the Company dated 11 May 2001.

In view of the above, the Directors considered that the listing of the Shares on the Main Board can further increase the publicity and recognition of the Company and will be beneficial and complimentary to the future growth and development of the Group.

Expected Timetable

The expected timetable for the Proposed Withdrawal and the Introduction is set out below:

Despatch of circulars, notice of the
Extraordinary General Meeting and
the related forms of proxy
to the Shareholders. Saturday, 21 December 2002

Despatch of the listing documents in relation
to the Introduction. Tuesday, 24 December 2002

Latest time for lodgement of forms of
proxy for the Extraordinary General
Meeting 10:00 a.m. on Tuesday, 7 January 2003

Extraordinary General Meeting 10:00 a.m. on Thursday, 9 January 2003

Notice of the Proposed Withdrawal and the announcement
of results of the Extraordinary General Meeting
to be published in The Standard (in English), in Hong Kong
Economic Times (in Chinese) and on the GEM website 10 January 2003

Last day of dealings in Shares on GEM 17 January 2003

Withdrawal of listing from
GEM effective from 9:30 a.m. on Monday, 20 January 2003

Dealings in Shares on the
Main Board to commence from 9:30 a.m. on Monday, 20 January 2003

Copies of the listing document issued in connection with the Introduction will be despatched to the Shareholders for information purpose only on or about 24 December 2002.

FINANCIAL INFORMATION OF THE GROUP

Indebtedness

Borrowings

As at the close of business on 31 October 2002, the Group had aggregate outstanding borrowings of approximately HK\$35,660,000, comprising short-term unsecured bank borrowings only.

Contingent liabilities

As at 31 October 2002, the Group had no material contingent liabilities.

Commitments

Pursuant to a resolution passed at the meeting of the board of directors of a subsidiary on 27 June 2001, the subsidiary appointed an independent agent to purchase machinery for the amount of approximately HK\$47,000,000, including SMT and prototyping facilities, so as to enhance the Group's service provision. As such, the Group had capital commitment of approximately HK\$47,000,000 as at 30 June 2001. On 2 July 2001, the Group entered into a purchase agreement with the independent agent for purchase of machinery with deposit of approximately HK\$23,500,000. After the terrorists attacks on the US on 11 September 2001, the Group decided to uphold the purchase as the Directors viewed that the global market was unclear. On 27 November 2001, the Group entered into a supplementary agreement with the independent agent to extend the order confirmation period to 31 May 2002 so as to enable the Group to consider whether the Group should proceed with the said purchases. The Group subsequently came to a decision of not proceeding with the purchases and cancelled the purchases on 9 June 2002. The said deposit was refunded to the Group in July 2002.

As at 31 October 2002, the Group had capital commitment for the acquisition of fixed assets of approximately HK\$4,403,000 of which approximately HK\$4,403,000 had been contracted but not provided for.

As at 31 October 2002, the Group had commitments to pay approximately HK\$1,348,000 in respect of the future minimum lease payments under non-cancellable operating leases of approximately HK\$1,348,000 in respect of premises.

Collateral

As at 31 October 2002, the Group had aggregate banking facilities of approximately HK\$35,660,000, which were fully utilised as at the date thereof. The banking facilities were secured by corporate guarantees provided by the Company.

Disclaimer

Save as otherwise disclosed herein and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills) or acceptable credits, or any guarantees or other material contingent liabilities outstanding as at the close of business on 31 October 2002.

The Directors confirm that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 October 2002.

Liquidity, financial resources and capital structure

Net current assets

As at 31 October 2002, the Group had net current assets of approximately HK\$173,721,000. The current assets as at 31 October 2002 comprised inventories of approximately HK\$6,773,000, prepayments, deposits and other current assets of approximately HK\$5,571,000, cash and bank deposits of approximately HK\$124,373,000, advance to suppliers of approximately HK\$11,541,000, trade receivables of approximately HK\$87,049,000, amount due from a minority shareholder of approximately HK\$1,251,000, and amount due from an associate of approximately HK\$5,900,000. The current liabilities as at 31 October 2002 comprised trade payables of approximately HK\$19,711,000, other payables and accruals of approximately HK\$11,751,000, short-term bank borrowings of approximately HK\$35,660,000, amount due to a director of approximately HK\$254,000 and tax payables of approximately HK\$1,361,000.

Borrowings and banking facilities

As at 31 October 2002, the Group had aggregate unsecured banking facilities of approximately HK\$35,660,000, of which approximately HK\$35,660,000 were utilised.

Adjusted net tangible assets

The following pro forma statement of adjusted net tangible assets of the Group is based on the net tangible assets of the Group as at 30 June 2002 and adjusted as shown below:

	<i>HK\$'000</i>
Consolidated net tangible assets of the Group as at 30 June 2002	277,254
Consolidated profit after taxation and minority interests of the Group for the four months ended 31 October 2002 based on its unaudited management accounts	17,704
Deficit arising on revaluation as at 31 October 2002 (<i>Note 1</i>)	<u>(903)</u>
Adjusted net tangible assets	<u><u>294,055</u></u>
Adjusted net tangible asset value per Share (<i>Note 2</i>)	<u><u>HK\$0.72</u></u>

Notes:

- (1) The deficit arising on the revaluation of the Group's property interests as at 31 October 2002 will be incorporated into the Group's financial statements for the year ending 30 June 2003. In this connection, annual depreciation for the year ending 30 June 2003 will be decreased by approximately HK\$24,000.
- (2) The calculation of adjusted net tangible asset value per Share is based on the 402,625,000 Shares in issue immediately following the Introduction, but taking no account of any Shares which may fall to be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme or the Proposed Share Option Scheme or upon the exercise by the Directors of the general mandates granted to them to allot and issue securities or repurchase Shares.

Disclosure under Practice Note 19 of the Listing Rules

The Directors confirm that, as at 16 December 2002, they were not aware of any circumstances which would give rise to a disclosure requirement under Practice Note 19 of the Listing Rules.

SHARE OPTION SCHEMES

The Company has adopted the Share Option Scheme since 8 May 2001. In connection with the Introduction and in order to comply with the provisions of the Listing Rules, the Company proposes to terminate the Share Option Scheme and, in substitution therefor, conditionally adopt the Proposed Share Option Scheme, which will enable the Directors to grant options to certain selected participants as incentives or rewards for their contribution to the Group. The rules of the Proposed Share Option Scheme will contain provisions which comply with the requirements of Chapter 17 of the Listing Rules.

Application has been made to the Listing Committee of the Stock Exchange for the listing on the Main Board of, and permission to deal on the Main Board in, the Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or may, prior to its termination, be granted thereunder, or which may be granted under the Proposed Share Option Scheme.

If approved by the shareholders at the Extraordinary General Meeting, the Share Option Scheme will be terminated and replaced by the Proposed Share Option Scheme once the Proposed Share Option Scheme becoming unconditional.

Since the period in which the Shares are traded on GEM, which commenced in May 2001, is not long enough to derive any meaningful financial estimates upon which the value of would be determined, the Directors consider that currently it is not feasible to state the value of all the options in the Proposed Share Option Scheme.

Conditions of the Proposed Share Option Scheme

The Proposed Share Option Scheme to be considered and, if though fit, to be approved by the Shareholders at the Extraordinary General Meeting will be conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval of the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or may, prior to its termination, be granted thereunder, or which may be granted under the Proposed Share Option Scheme, and
- (ii) commencement of dealings in the Shares on the Main Board.

The Directors confirm that the Company has not granted any options under the Share Option Scheme. The Directors further confirm that the Company has no present intention to grant any options under the Share Option Scheme prior to its proposed termination.

GENERAL MANDATES TO ISSUE SECURITIES AND REPURCHASE SHARES

The Directors are of the view that the general mandates to issue securities and repurchase Shares granted to them at the annual general meeting of the Company held on 24 October 2002 were catered for the situation that the Shares are listed on GEM. The Directors proposed to have new general mandates to issue securities and repurchase Shares to cater for the situation that the Shares are listed on GEM or the Main Board. The Directors confirm that they have not exercised the general mandates to issue securities and repurchase Shares after they have been granted to the Directors since 24 October 2002, and that they have no present intention to exercise such general mandates prior to the proposed listing of the Shares on the Main Board.

Ordinary resolutions will be proposed at the Extraordinary General Meeting to grant new general mandates to the Directors to exercise the powers of the Company (i) to allot and issue securities of the Company up to a maximum of 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing of the relevant resolution; and (ii) to repurchase shares of the Company to a maximum of 10% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing of the relevant resolution. Both general mandates will expire on the earliest of (i) the date of conclusion of the next annual general meeting; (ii) the date by which the next annual general meeting of the Company is required to be held by law or the articles of association of the Company; and (iii) the time at which the general mandate in question is revoked or varied.

A separate resolution will also be proposed at the Extraordinary General Meeting to approve that the aggregate nominal amounts of any shares repurchased by the Company following the granting of the general mandate to repurchase shares of the Company be added to the aggregate nominal amounts of shares of the Company which may be issued under the general mandate to issue shares of the Company.

EXTRAORDINARY GENERAL MEETING

The Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve, amongst other things, the Proposed Withdrawal, the proposed reduction of the notice period for the Proposed Withdrawal, the proposed termination of the Share Option Scheme, the proposed adoption of the Proposed Share Option Scheme and the general mandates to issue securities and repurchase Shares to be proposed at the Extraordinary General Meeting. Mr. Lin, being the controlling Shareholder (as defined in the GEM Listing Rules) holding, as at 16 December 2002, approximately 57.67% of the existing issued share capital of the Company, has undertaken to the Company that he will vote in favour of all the ordinary resolutions to be proposed at the Extraordinary General Meeting.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day(s) on which the Stock Exchange is open for the business of dealings in securities
“CEM”	contract manufacturer or contract electronics manufacturer who manufactures, on behalf of an ODM customer, electronic equipment, the design and brandname of which belong to the ODM
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Sinotronics Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 29 September 2000 under the Companies Law, whose Shares are listed on GEM
“Director(s)”	the director(s) of the Company
“Effective Date”	on or about 20 January 2003, the day on which the Proposed Withdrawal is expected to become effective
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held at Salon IV, Main Floor, Grand Hyatt Hotel at 1 Harbour Road, Wanchai, Hong Kong on Thursday, 9 January 2003 at 10:00 a.m.
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Introduction”	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Listing Rules

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for Main Board listing matters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM
“Mr. Lin”	Mr. Lin Wan Qaing, an executive Director and the chairman of the Company
“ODM”	original design manufacturer, who owns the brandname and designs, manufactures (or outsources its manufacture), markets, and provides customer support for its products
“PCB”	printed circuit board, a flat plate or base of insulating material containing a pattern of conducting materials, which becomes an electrical circuit when components are attached and soldered to it
“PRC”	People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Share Option Scheme”	the share option scheme proposed to be adopted at the Extraordinary General Meeting
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“Securities Ordinance”	the Securities Ordinance (Chapter 333 of the Laws of Hong Kong (as amended))
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by the then sole shareholder of the Company since 8 May 2001
“SMT”	surface mount technology, a specialised manufacturing process used in the production of PCBs whereby electronic components, including integrated circuits, are soldered onto the surface of the PCBs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” or “cents” Hong Kong dollars or cents, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 20 December 2002

This announcement, 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 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.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the day of this posting.

* *For identification only*