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If you have sold or transferred all your shares in Sinotronics Holdings Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**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**

A letter from the board of directors of Sinotronics Holdings Limited (the “Company”) is set out on pages 5 to 13 of this circular.

A notice convening an extraordinary general meeting of the Company (the “Extraordinary General Meeting”) 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. is set out on pages 25 to 28 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong Registrars Limited, the branch share registrar of the Company in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournment thereof should you so wish.

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 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 these 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. GEM-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 “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	<i>Page</i>
Definitions	1
Responsibility statement	3
Expected timetable	4
Letter from the Board	
Background	5
The Proposed Withdrawal and the Introduction	6
Financial information of the Group	8
Share option schemes	10
General mandates to issue securities and repurchase Shares	11
Extraordinary General Meeting	12
Documents available for inspection	13
Additional information	13
Appendix I — Principal terms of the Proposed Share Option Scheme	14
Appendix II — Explanatory statement	22
Notice of Extraordinary General Meeting	25

DEFINITIONS

In this circular, 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., the notice of which is set out on pages 25 to 28 of this circular
“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
“Latest Practicable Date”	16 December 2002, being the latest practicable date for ascertaining certain information contained in this circular prior to its publication
“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

DEFINITIONS

“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 product
“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 circular, 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, the principal terms of which are set out in Appendix I to this circular
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase shares of the Company up to a maximum of 10% of the issued ordinary share capital of the Company in issue as at the date of passing the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution relating to the Repurchase Proposal, the text of which is set out in ordinary resolution no. 5 in the notice of the Extraordinary General Meeting
“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
“Share Repurchase Rules”	the relevant rules of the Listing Rules to regulate the repurchase by companies with listing since the Stock Exchange of their own shares on the Stock Exchange
“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
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“%”	per cent.

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:

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

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 of Shares on 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



SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr. Lin, Wan Qaing (*Chairman*)
Mr. Liu, Zhao Cai (*Vice-Chairman*)
Mr. Xiang, Song
Mr. Tong, Yiu On

Independent non-executive Directors:

Mr. Lam, Ming Yung
Mr. Pan, Chang Chi
Mr. Cai, Xun Shan

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Principal place of business in Hong Kong:

Room 1805, 18th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

21 December 2002

To the Shareholders

Dear Sir or Madam,

**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**

BACKGROUND

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 in this circular.

* For identification only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information relating to the Proposed Withdrawal, the Introduction, 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, and to seek your approval of the 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 to be proposed at the Extraordinary General Meeting.

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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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 consider 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.

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, being the latest practicable date prior to the printing of this document for the purpose of this indebtedness statement, 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.

LETTER FROM THE BOARD

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, being the latest practicable date for the purpose of the disclosure of balance sheet items, 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, being the latest practicable date for the purpose of the disclosure of borrowings and banking facilities, the Group had aggregate unsecured banking facilities of approximately HK\$35,660,000, of which approximately HK\$35,660,000 were utilised.

LETTER FROM THE BOARD

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>294,055</u>
Adjusted net tangible asset value per Share (<i>Note 2</i>)	<u>HK\$0.72</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 the Latest Practicable Date, 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. The principal terms of the Proposed Share Option Scheme are set out in Appendix I to this circular.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

An explanatory statement set out in Appendix II to this circular contains all the relevant information relating to the proposed Repurchase Resolution in order to provide the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the Repurchase Resolution.

EXTRAORDINARY GENERAL MEETING

Set out on pages 25 to 28 of this circular is a notice convening the Extraordinary General Meeting 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., at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the following:

- (i) the Proposed Withdrawal and the proposed reduction of the notice period for the Proposed Withdrawal;
- (ii) the proposed termination of the Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme;
- (iii) the general mandates to issue securities and repurchase Shares; and
- (iv) the extension of the general mandate to issue securities by the aggregate nominal amount of shares repurchased pursuant to the proposed general mandate to repurchase shares.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Hong Kong Registrars Limited, the branch share registrar of the Company in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournment thereof should you so wish.

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 the Latest Practicable Date, 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.

LETTER FROM THE BOARD

DOCUMENTS AVAILABLE FOR INSPECTION

The listing document issued in connection with the Introduction is expected to be despatched to the Shareholders on or about 24 December 2002 and will be available for inspection at the Extraordinary General Meeting.

Copy of the Proposed Share Option Scheme will be available for inspection at the office of Sidley Austin Brown & Wood at 49th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date of the Extraordinary General Meeting and will also be available for inspection at the Extraordinary General Meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the other parts of this circular.

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

The following are the Proposed Share Option Scheme proposed to be adopted at the Shareholders at the extraordinary general meeting of the Company to be held on 9 January, 2003 to replace the Share Option Scheme:

1. Purpose

The purpose of the Proposed Share Option Scheme is to enable the Company to grant options to employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries as incentives and rewards for their contribution to the Company or such subsidiaries.

2. Who may join

The Board may, at its discretion, offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) (“Eligible Participants”), options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the Shares (i.e., assuming that no further options are granted until the date of the extraordinary general meeting, 40,262,510 Shares) in issue on the date of approval and adoption of the Proposed Share Option Scheme by the Shareholders (which is expected to be 9th January, 2003, being the date of the extraordinary general meeting). Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or
- (b) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed one per cent of the Shares in issue as at the date of grant.

Any further grant of options in excess of this one per cent limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the Proposed Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) business days immediately preceding the date of offer to grant option; and (c) the nominal value of a Share.

6. Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and
- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person (as defined in the Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. Restrictions on the time of grant of options

An offer to grant option may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's annual or interim results; and (b) the deadline for the Company to publish its interim or annual results announcement under the listing agreement and ending on the date of actual publication of the results announcement.

8. Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The Board is currently unable to determine such minimum period. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Proposed Share Option Scheme. Subject to earlier termination by the Company in general meeting, the Proposed Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Proposed Share Option Scheme by Shareholders by resolution at a general meeting.

10. Performance Target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Proposed Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Proposed Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Proposed Share Option Scheme.

11. Rights on ceasing to be an Eligible Participant and death

In the event of the grantee ceasing to be an Eligible Participant for any reason (including his or her death) other than (i) the termination of his or her relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph 12 below; or (ii) the termination of the same for any reason during the 12-month period following the date upon which the relevant option is deemed to be granted and accepted in accordance with the Proposed Share Option Scheme, the grantee may exercise the option up to his or her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of six (6) months following the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company or its relevant subsidiary on which salary is paid whether in lieu of notice or not, or such longer period as the Board may in its absolute discretion determine.

12. Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or in relation to an employee of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the company or the relevant subsidiary, his or her option will lapse and not be exercisable on the date of termination of his or her relationship with the Company and/or any of its subsidiaries.

13. Rights on general offer

If a general offer, whether by way of takeover, share repurchase offer or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (with the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

14. Rights on compromise or arrangement between the Company and its members or creditors

If, pursuant to the Companies Law, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming

effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Company Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

15. Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time not later than two business days prior to the date of the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant number of Shares to the grantee credited as fully paid.

16. Lapse of the options

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry date relevant to that option;
- (b) the expiry of any of the periods referred to in paragraphs 11 or 14 above;
- (c) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph 15 above;
- (d) the date on which the scheme for the reconstruction of the Company or its amalgamation with any other company or companies, becomes effective as referred to in paragraph 14 above;
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive;

- (f) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of the prohibitions specified in paragraph 8 above or the options are cancelled in accordance with paragraph 20 below;
- (g) the date on which the grantee ceases to be so employed by the Company and/or any of its subsidiaries during the 12-month period following the date on which the option is deemed to be granted and accepted in accordance with the Proposed Share Option Scheme;
- (h) the date on which the grantee ceases to be an Eligible Participant on or after committing any act of bankruptcy or becoming insolvent or making any arrangements or composition with his creditors generally.

17. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof and will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of allotment. In particular, such Shares will rank *pari passu* in respect of voting, transfer and other rights, including those arising on liquidation of the Company and rights in respect of any dividend or other distribution paid or made after the relevant date of issue other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant date of issue as attached to the other fully-paid Shares in issue on the date of issue.

18. Effect of alterations to capital

In the event of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, the Company shall instruct the auditors to and the auditors shall, at the request of the Company, certify in writing such corresponding alterations (if any) made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) the number of Shares subject to any option or the exercise price thereof so far as such option or any part thereof remains unexercised, either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company as that to which he or she was entitled to subscribe had he or she exercised all the options held by him or her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors in this paragraph is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and conclusive and binding on the Company and the grantees. The costs and expenses in connection with the issue of such certificate by the auditors shall be borne by the Company.

19. Alteration of Proposed Share Option Scheme

The Proposed Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (b) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Proposed Share Option Scheme; and
- (c) any material alteration to the terms and conditions of the Proposed Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Proposed Share Option Scheme),

must be made with the prior approval of the shareholders of the Company in general meeting provided that no alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to the alteration except with the sanction obtained in accordance with the terms of the Proposed Share Option Scheme.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the Proposed Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. Termination of the Proposed Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the Proposed Share Option Scheme and in such event no further option shall be offered but the provisions of Proposed Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Proposed Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Proposed Share Option Scheme.

22. Condition of the Proposed Share Option Scheme

The Proposed Share Option Scheme is conditional on (a) the Shareholders' approval of the adoption of the Proposed Share Option Scheme and termination of the Share Option Scheme at the extraordinary general meeting to be held on 9 January 2003; (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto; and (c) the dealings of Shares on the Main Board commence.

23. Disclosure in annual and interim reports

The Company will disclose details of the Proposed Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

24. Present status of the Proposed Share Option Scheme

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Proposed Share Option Scheme.

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the ordinary issued share capital of the Company in issue as at the date of passing of the Repurchase Resolution.

(a) Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 402,625,000 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares will be issued or repurchased prior to the Extraordinary General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 40,262,500 Shares representing no more than 10% of the issued share capital of the Company as at the date of passing the Repurchase Resolution.

(b) Reasons for Repurchase

The Directors believe that the Repurchase Proposal is in the best interest of the Company and the Shareholders. Such repurchase may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

(c) Funding of Repurchases

In repurchasing any Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association and applicable laws and regulations of the Cayman Islands and the GEM Listing Rules or the Listing Rules (as the case may be).

There might be a material adverse impact on the working capital and/or gearing position of the Group in the event that the power to repurchase Shares pursuant to the Repurchase Resolutions were to be carried out in full. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Resolutions to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Group which in the opinion of the Directors are from time to time appropriate.

(d) Share Prices

The highest and lowest prices at which the Shares have traded on GEM during each of the 12 months before the Latest Practicable Date are as follows:

	Price Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
November 2002	0.96	0.83
October 2002	0.97	0.84
September 2002	1.03	0.95
August 2002	1.15	0.99
July 2002	1.34	1.00
June 2002	1.51	1.30
May 2002	1.36	1.12
April 2002	1.19	1.10
March 2002	1.15	0.88
February 2002	0.86	0.78
January 2002	0.84	0.79
December 2001	0.93	0.80

(e) Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution in accordance with the Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, their associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company.

No connected persons of the Company (as defined in the Listing Rules) has notified the Company that he has any present intention to sell Shares to the Company or have undertaken not to do so.

(f) Takeovers Code

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Resolution, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of such voting rights for the purpose of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

(g) Disclosure of Interest

As at the Latest Practicable Date, Mr. Lin held approximately 57.67% of the issued share capital of the Company. In the event that the Directors exercised in full the power to repurchase Shares in accordance with the Repurchase Proposal, the total shareholding of Mr. Lin Wan Qiang in the Company would be increased to approximately 64.08% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory general offer under the Takeovers Code. Further, the

Directors do not have a present intention to exercise their powers under the Repurchase Resolution to the extent giving rise to an obligation on any Shareholder or group of Shareholders acting in concert to make a mandatory general offer under Rule 26 of the Takeovers Code.

(h) Share Purchase made by the Company

The Company had not purchased any Shares (whether on GEM or otherwise) during the six months preceding the Latest Practicable Date.



SINOTRONICS HOLDINGS LIMITED

(華翔微電子控股有限公司)*

(incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Sinotronics Holdings Limited (the “Company”) will 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. for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications as ordinary resolutions:

ORDINARY RESOLUTION NO. 1

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing on the Main Board (as defined in the circular of the Company dated 21 December 2002 accompanying the notice convening this meeting (the “Circular”)) of, and permission to deal on the Main Board in, the shares of HK\$0.10 each in the share capital of the Company (“Shares”) in issue and any Shares which may fall to be issued pursuant to the exercise of options which were granted under the existing share option scheme of the Company conditionally adopted on 8 May 2001 (the “Existing Scheme”) or may, prior to its termination, be granted thereunder or which may be granted under the Proposed Share Option Scheme (as defined in the Circular) if the same having been approved, and upon the publication by the Company of a notice in respect of the proposed withdrawal of the listing of the Shares on the Growth Enterprise Market of the Stock Exchange (the “Proposed Withdrawal”) which shall be published not less than five clear Business Days (as defined in the Circular) prior to the effective date of the Proposed Withdrawal, the Proposed Withdrawal with effect from such date and time as the Board of Directors (or any committee thereof) may designate insofar as such date and time being acceptable to the Stock Exchange be and is hereby approved, and any one Director or the Secretary be and is hereby authorised to do all such acts for and on behalf of the Company as he may in his absolute discretion deem necessary, desirable or expedient to give effect to the transactions contemplated hereunder.”

ORDINARY RESOLUTION NO. 2

“**THAT** conditional upon passing of the Ordinary Resolution No. 1 set out in the notice convening this meeting and the approval of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange in connection with the Proposed Withdrawal (as defined in the said Ordinary Resolution No. 1) be reduced to a minimum period of five clear days on which the Stock Exchange is open for the business of dealings in securities.”

ORDINARY RESOLUTION NO. 3

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing on the Main Board (as defined in the circular of the Company dated 21 December 2002 accompanying the notice convening this meeting (the “Circular”)) of, and permission to deal on the Main Board in, the shares of HK\$0.10 each in the share capital of the Company (“Shares”) in issue and any Shares which may fall to be issued pursuant to the exercise of options which were granted under the existing share option scheme of the Company conditionally adopted on 8 May 2001

* For identification only

NOTICE OF EXTRAORDINARY GENERAL MEETING

(the “Existing Scheme”) or may, prior to its termination, be granted thereunder or which may be granted under the Proposed Share Option Scheme (as defined in the Circular), the rules of which are set out in the document marked “A” produced to this meeting and signed for the purpose of identification by the Chairman of the meeting:

- (A) the Existing Scheme be terminated immediately upon the Proposed Share Option Scheme becoming unconditional; and
- (B) the Proposed Share Option Scheme be and is hereby approved and adopted and the Board of Directors (or any committee thereof) be and are hereby authorised, at their absolute discretion, to grant options to subscribe for shares in the Company thereunder and to allot, issue and deal with shares in the Company pursuant to the exercise of subscription rights under any options which may be granted under the Proposed Share Option Scheme and to do all such acts as they may in their absolute discretion consider necessary or expedient to give effect to the Proposed Share Option Scheme.”

ORDINARY RESOLUTION NO. 4

“THAT:

- (A) conditional upon passing of the Ordinary Resolution No. 1 set out in the notice convening this meeting and subject to paragraph (C) of this Resolution, the Directors be and are hereby granted an unconditional general mandate to exercise during the Relevant Period (as hereinafter defined in this Resolution) to exercising all the power of the Company to allot, issue and deal with additional shares in the Company (the “Shares”) and to allot, issue or grant securities convertible or exchangeable into Shares, or options, warrants or similar rights to subscribe for or acquire Shares or such convertible or exchangeable securities and to make or grant offers, agreements and options in respect thereof;
- (B) the mandate referred to in paragraph (A) shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital to be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to options or otherwise) by the Directors pursuant to the mandate referred to in paragraph (A) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined in this Resolution);
 - (ii) the exercise of rights of subscription or conversion under the terms of any options, warrants or similar rights or convertible securities issued by the Company or any securities which are exchangeable into Shares;
 - (iii) the exercise of the subscription rights under options granted under any option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment and issue of Shares or other securities of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company,

NOTICE OF EXTRAORDINARY GENERAL MEETING

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval in paragraph (A) shall be limited accordingly;

(D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution up to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members in general meeting,

whichever is the earliest; and

“Rights Issue” means an offer of Shares or other securities of the Company open for a period fixed by the Directors to holders of Shares registered on the register of Members on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company); and

(E) the general mandate of the kind referred to in paragraph (A) of this Resolution which was granted to the Directors previously and is still in effect prior to the conclusion of this Meeting be and is hereby revoked.”

ORDINARY RESOLUTION NO. 5

“THAT:

(A) conditional upon passing of the Ordinary Resolution No. 1 set out in the notice convening this meeting and subject to paragraph (B) of this Resolution, the exercise by the Directors of all powers of the Company during the Relevant Period (as hereinafter defined in this Resolution) to repurchase its own shares (the “Share”) be and is hereby generally and unconditionally approved;

(B) the aggregate nominal amount of Shares which may be repurchased by the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose pursuant to the approval in paragraph (A) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly;

(C) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution up to:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest; and

- (D) the general mandate of the kind referred to in paragraph (A) of this Resolution which was granted to the Directors previously and is still in effect prior to the conclusion of this meeting be and is hereby revoked.”

ORDINARY RESOLUTION NO. 6

“**THAT** conditional upon the passing of Ordinary Resolutions No. 1, 4 and 5 set out in the notice convening this meeting, the aggregate nominal amount of share capital of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to and in accordance with the mandate granted under Ordinary Resolution No. 4 be and is hereby increased and extended by the addition thereto of the aggregate nominal amount of the shares in the Company repurchased by the Company pursuant to and in accordance with the repurchase mandate granted under Ordinary Resolution No. 5 since the granting of such repurchase mandate, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

By order of the Board
SINOTRONICS HOLDINGS LIMITED
Tong Yiu On
Company Secretary

Hong Kong, 21 December 2002

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote on his behalf. A proxy need not be a member of the Company. A proxy form for use at the meeting is enclosed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of authority, at Hong Kong Registrars Limited, the branch share registrar of the Company in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.
3. In the case of joint registered holders of any Shares, any one of them may vote at the meeting, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto; but if more than one of such joint registered holders be present at the meeting, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holders.