



SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

CONVERSION OF US\$10,000,000 2 PER CENT. UNLISTED AND UNSECURED CONVERTIBLE BONDS DUE 2008

Reference is made to the announcements of the Company dated 5 May 2005 and 14 July 2006. On 18 July 2006, the Company received a Conversion Notice from CS regarding the conversion of the Original Tranche 1 Bonds held by it in the principal amount of US\$10,000,000 (equivalent to approximately HK\$77,762,000) at the conversion price of HK\$0.909 per Share, being the Floating Conversion Price calculated based on 90% of the average of four consecutive closing prices per Share as selected by CS during the 30 consecutive business days immediately prior to the date on which a Conversion Notice from CS is received by the Company. The four consecutive closing days selected by CS were 8 June 2006, 9 June 2006, 12 June 2006 and 13 June 2006. As a result of the Conversion, on 19 July 2006 (i) 85,544,000 Conversion Shares, representing approximately 18.29% of the issued share capital of the Company before the Conversion and approximately 15.46% of the existing issued share capital of the Company as enlarged by the Conversion Shares, were allotted and issued to CS; and (ii) a cash payment of an amount of HK\$2,798.06 for the odd lot of 2,754 Conversion Shares, calculated based on the average closing price of the Conversion Shares on the last five consecutive trading days before the receipt of the Conversion Notice by the Company pursuant to the terms of the Subscription Agreement, was paid to CS. The Conversion Shares have been issued under the general mandate approved by the shareholders at the annual general meeting of the Company held on 16 November 2004. On 19 July 2006, CS transferred the Conversion Shares to Mr. Lin Wan Qaing pursuant to the Sale and Purchase Agreement.

Terms used herein shall have the same meanings as defined elsewhere in the announcements of the Company dated 5 May 2005 and 14 July 2006 unless otherwise specified.

CONVERSION OF BONDS

Reference is made to the announcements of the Company dated 5 May 2005 and 14 July 2006. On 18 July 2006, the Company received a Conversion Notice from CS in respect of the conversion of the Original Tranche 1 Bonds held by it in the principal amounts of US\$10,000,000 (equivalent to approximately HK\$77,762,000) at the conversion price of HK\$0.909 per Share, being the Floating Conversion Price calculated based on 90% of the average of four consecutive closing prices per Share as selected by CS during the 30 consecutive business days immediately prior to the date on which a Conversion Notice from CS is received by the Company. The four consecutive closing days selected by CS were 8 June 2006, 9 June 2006, 12 June 2006 and 13 June 2006. As a result of the Conversion, on 19 July 2006 (i) 85,544,000 Conversion Shares, representing approximately 18.29% of the issued share capital of the Company before the Conversion and approximately 15.46% of the existing issued share capital of the Company as enlarged by the Conversion Shares, were allotted and issued to CS; and (ii) a cash payment of an amount of HK\$2,798.06 for the odd lot of 2,754 Conversion Shares, calculated based on the average closing price of

the Conversion Shares on the last five consecutive trading days before the receipt of the Conversion Notice by the Company pursuant to the terms of the Subscription Agreement, was paid to CS. The Conversion Shares have been issued under the general mandate approved by the shareholders at the annual general meeting of the Company held on 16 November 2004. On 19 July 2006, CS transferred the Conversion Shares to Mr. Lin Wan Qaing pursuant to the Sale and Purchase Agreement.

No Bonds remain outstanding as at the date of this announcement.

Before the Conversion, the issued share capital of the Company was HK\$46,762,500 comprising 467,625,000 Shares. Mr. Lin Wan Qaing was holding 282,739,780 Shares, representing approximately 60.46% of the issued share capital of the Company before the Conversion. After the Conversion, the shareholding interest of Mr. Lin Wan Qaing in the Company decreased from approximately 60.46% to approximately 51.12% and the shareholding interest of CS in the Company increased to approximately 15.46%. After the completion of the sale and purchase of the Conversion Shares, the shareholding interest of Mr. Lin Wan Qaing in the Company increased from approximately 51.12% to approximately 66.58% of the existing issued share capital of the Company as enlarged by the Conversion Shares and CS will continue to hold the Subscription Right attached to the Original Tranche 1 Bonds, the exercise price of which is calculated based on 110% of HK\$0.9017, being the Base Price of the Original Tranche 1 Bonds. The Company has been informed that Mr. Lin Wan Qaing will purchase the Conversion Shares for his own account and had no present intention to sell such Shares to any third party. As at the date hereof, the Company is not aware of any intention of CS exercising its Subscription Right attached to the Original Tranche 1 Bonds. As no Additional Tranche 1 Bonds have ever been issued by the Company and CS' right to require the Company to issue the Additional Tranche 1 Bonds have been cancelled pursuant to the terms of the Amendment Agreement, the Subscription Right attached to the Additional Tranche 1 Bonds ceased to have any effect as a result thereof.

DILUTION EFFECT ON SHAREHOLDERS

According to the requirements of the listing approval granted by the Stock Exchange in respect of the Shares issued and allotted upon the Conversion, the Company would like to report that the Conversion was made by CS during the period from 1 July 2006 to the date of this announcement with details as follows:

Conversion date	Number of new Shares issued	Conversion price (HK\$)	Amount of Original Tranche 1 Bonds converted (US\$)	Outstanding Original Tranche 1 Bonds after the Conversion (US\$)
18 July 2006	85,544,000	0.909	10,000,000	Nil

Changes in the issued shares for the period from 1 July 2006 to the date of this announcement	Number of issued Shares
The total issued share capital of the Company as at 1 July 2006	467,625,000
Total number of new Shares issued pursuant to the Conversion	85,544,000
Total number of Shares issued pursuant to other transactions	—
As at the date of this announcement	553,169,000

EFFECT ON THE SHARE CAPITAL OF THE COMPANY

The following table summarises the effect on the share capital of the Company before the Conversion, after the Conversion, the sale and purchase of the Conversion Shares and in the event that CS decides to exercise its Subscription Right attached to the Original Tranche 1 Bonds in full:

Shareholders	Before the Conversion		As at the date of this announcement (after the Conversion and the allotment and the issue of the Conversion Shares)		After the Conversion and the sale and purchase of the Conversion Shares (assuming no exercise of the Subscription Right attached to the Original Tranche 1 Bonds)		After the Conversion, the sale and purchase of the Conversion Shares and in the event that CS decides to exercise its Subscription Right attached to the Original Tranche 1 Bonds in full	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Lin Wan Qaing	282,739,780	60.46	282,739,780	51.12	368,283,780	66.58	368,283,780	65.63
CS	—	—	85,544,000	15.46	—	—	7,981,000	1.42
							(Note)	
Public	<u>184,885,220</u>	<u>39.54</u>	<u>184,885,220</u>	<u>33.42</u>	<u>184,885,220</u>	<u>33.42</u>	<u>184,885,220</u>	<u>32.95</u>
	<u>467,625,000</u>	<u>100.00</u>	<u>553,169,000</u>	<u>100.00</u>	<u>553,169,000</u>	<u>100.00</u>	<u>561,150,000</u>	<u>100.00</u>

Note:

The total number of Shares to be issued by the Company pursuant to the general mandate approved by the shareholders at the annual general meeting of the Company held on 16 November 2004 (the “2004 Mandate”) was limited to 93,525,000 Shares. As 85,544,000 Conversion Shares have been allotted and issued by the Company to CS, the Company will only be able to issue 7,981,000 Shares to CS pursuant to the 2004 Mandate if CS decides to exercise its Subscription Right attached to the Original Tranche 1 Bonds in full.

Unless otherwise specified in this announcement, US\$1.00 = HK\$7.7762. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at such a rate or at any other rates or at all.

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

Hong Kong, 19 July 2006

As at the date of this announcement, the Board comprises Mr. Lin Wan Qaing, Mr. Liu Zhao Cai, Mr. Xiang Song and Mr. Tong Yiu On as executive Directors, and Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen as independent non-executive Directors.

* *for identification purpose only*

*Please also refer to the published version of this announcement in **The Standard**.*