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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)*

**(Stock Code: 1195)**

- (i) Update on Writ of Summons**
- (ii) Resignation of Executive Director**
- (iii) Proposed Open Offer at HK\$0.18 per Share in the proportion of one Offer Share for every two Shares held by the Qualifying Shareholders only; and**
- (iv) Resumption of trading**

**Financial adviser to Sinotronics Holdings Limited**



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

**Underwriter to the Open Offer**



**UPBEST SECURITIES COMPANY LIMITED**

### **UPDATE ON THE WRIT OF SUMMONS ISSUED BY DEUTSCHE BANK AG**

Subsequent to the announcement of the Company on 2nd April, 2009, the Settlement Agreement was entered into on 16th November, 2009 for an amount to be paid by the Company acceptable to both the Company and Deutsche Bank AG in full and final settlement of the Action. The Board considers that the Settlement Agreement is in the interest of the Company and its Shareholders as a whole.

On 12th December, 2007, Mr. Lin, the controlling Shareholder of the Company holding approximately 41.17% of total issued Shares, voluntarily executed the Deed of Indemnity in favour of the Company in respect of the Swap Agreements. In light of the Settlement Agreement, Mr. Lin's liability towards the Company under the Deed of Indemnity is approximately HK\$29.2 million.

To finance the above payment obligation under the Deed of Indemnity, Mr. Lin intends to place down some or all of the Sale Shares. In this respect, Mr. Lin has appointed Yu Ming and Get Nice as the joint Placing Agents. The placing of Mr. Lin's Sale Shares, if successfully completed, may or may not introduce a new controlling shareholder to the Company.

#### **RESIGNATION OF EXECUTIVE DIRECTOR**

Mr. Lin has offered to resign as an executive Director, an authorised representative of the Company and a member of the remuneration committee of the Company in view of the unsatisfactory results of the Company for the year ended 30th June, 2009. The Board has reluctantly accepted Mr. Lin's resignation of the above positions effective from 16th November, 2009. Mr. Lin confirmed that he has no disagreement with the Board and there was no other matter relating to his resignation that would need to be brought to the attention of the Shareholders. The Board would like to thank Mr. Lin for his contribution to the Company during his service with the Company.

#### **APPOINTMENT OF AUTHORISED REPRESENTATIVE**

The Board is pleased to announce that Mr. Xiang Song, an executive Director, is appointed as an authorised representative of the Company with effect from 16th November, 2009.

#### **APPOINTMENT OF MEMBER OF REMUNERATION COMMITTEE**

The Board is pleased to announce that Mr. Lin Wan Xin, an executive Director, is appointed as a member of the remuneration committee of the Company with effect from 16th November, 2009.

#### **BACKGROUND AND REASONS FOR THE OPEN OFFER**

Having taken into consideration the current liabilities and the capital commitment of the Group, and the need of preservation of liquidity amidst the weak consumer electronic market globally, the Board proposes the Open Offer to raise approximately HK\$50.3 million before expenses to finance the payment to be made by the Company under the Settlement Agreement. Details of the Open Offer are set out below in this announcement.

#### **THE OPEN OFFER**

The Open Offer will be implemented on the basis of one Offer Share for every two Shares held by the Qualifying Shareholders at the Record Date at the Subscription Price of HK\$0.18 per Offer Share. The Open Offer involves the issue of approximately 279,482,500 Offer Shares assuming no new Shares will be issued before the Record Date, with aggregate proceeds of approximately HK\$50.3 million before expenses. The Open Offer is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders.

As at the date of this announcement, the Company has 558,965,000 Shares in issue. The aggregate number of Offer Shares to be issued pursuant to the terms of the Open Offer represents 50% of the total issued share capital of the Company as at the date of this announcement and will represent approximately 33.33% of the total issued share capital of the Company as enlarged by the issue of the Offer Shares immediately after the completion of the Open Offer.

As at the date of this announcement, Mr. Lin, being the controlling Shareholder, held 230,131,780 Shares, representing approximately 41.17% of the issued share capital of the Company. As aforementioned, Mr. Lin appointed Yu Ming and Get Nice as the joint Placing Agents to place down part or all of his shareholding in the Company. There is no certainty as to whether the Placing Agents will be able to place any or all of the Sale Shares, and the price of the placing is subject to further agreement by Mr. Lin and the Placing Agents. As such, Mr. Lin is not in a position as of the date of this announcement to decide whether he or the purchaser(s) of his Sale Shares will take up the relevant Offer Shares attributable to the Sale Shares under the Open Offer.

The Open Offer will be fully underwritten by the Underwriter pursuant to the Underwriting Agreement, which is conditional on, inter alia, (i) the satisfaction (or, as applicable, waiver) of the conditions referred to in the section headed “Conditions of the Open Offer and the Underwriting Agreement” in this announcement below, and (ii) the Underwriting Agreement not being terminated by the Underwriter in accordance with its terms. If the conditions are not fulfilled (or waived) or the Underwriting Agreement is terminated pursuant to its terms, the Open Offer will not proceed.

Assuming that none of the Qualifying Shareholders takes up any of their entitlements under the Open Offer, it is possible that the Underwriter will hold approximately 33.33% of the total issued share capital of the Company upon completion of the Open Offer. The Underwriter has entered into sub-underwriting arrangement with sub-underwriters to ensure that its holding in the Company will not reach 30% or more of the total issued share capital of the Company.

A detailed timetable relating to the Open Offer will be further announced by the Company.

## **USE OF PROCEEDS**

The estimated expenses in relation to the Open Offer is approximately HK\$5.3 million. The estimated net proceeds of the Open Offer, after the deduction of all estimated expenses will be approximately HK\$45.0 million. The Company intends to apply the proceeds from the Open Offer to settle payment liable under the Settlement Agreement.

## **GENERAL**

Pursuant to Rule 7.24(5) of the Listing Rules, since the Open Offer would increase the issued share capital of the Company by no more than 50% within the 12-month period immediately preceding this announcement, the Open Offer is not subject to approval by the Shareholders. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Offer Shares.

The Prospectus Documents containing, among other documents, details of the Open Offer, the Application Form and the Excess Application Form, will be sent to the Qualifying Shareholders as soon as practicable. The Company will also send the Prospectus to Excluded Shareholders, if any, as soon as practicable for their information only but the Company will not send any Application Form or any Excess Application Form to the Excluded Shareholders, if any.

#### **WARNING OF THE RISKS OF DEALINGS IN SHARES**

**It should be noted that the Open Offer is subject to conditions to be fulfilled and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure.**

**Any Shareholder or other person dealing in Shares or other securities of the Company up to the date on which all the conditions to which the Open Offer is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will bear the risk that the Open Offer may not become unconditional and may not proceed. If in any doubt, Shareholders, and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.**

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:46 a.m. on 16th November, 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 18th November, 2009.

#### **UPDATE ON THE WRIT OF SUMMONS ISSUED BY DEUTSCHE BANK AG**

On 8th February, 2007 and 11th April, 2007, the Company entered into Swap Agreements with Deutsche Bank AG in respect of the two Interest Rate Swaps maturing in 2012. The Company received from Deutsche Bank AG total Upfront Payments of approximately HK\$117 million at the inception of the Interest Rate Swaps and were initially recognized as derivative financial liabilities in the balance sheet.

In accordance with the terms and conditions of the Interest Rate Swaps, the Company and Deutsche Bank AG were required to make payment to each other semi-annually, but to be settled on a net basis. The amount of payments by each of the Company and Deutsche Bank AG to the other depends on certain conditions prevailing during each payment period.

More than 6 months subsequent to the entering into of the Interest Rate Swaps, on 12th December, 2007, Mr. Lin (the controlling Shareholder of the Company) voluntarily executed the Deed of Indemnity providing interest-free and unsecured financial assistance to the Company in respect of its payment obligations in connection with the Interest Rate Swaps, to the effect that the Company would not be required to pay Deutsche Bank AG any net payment under the Interest Rate Swaps other than the Upfront Payments and also to the effect that the Company would be kept indemnified by Mr. Lin of the losses and expenses that the Company may incur or suffer if Mr. Lin fails to perform his payment obligations. During the year ended 30th June, 2008 and 2009, Mr. Lin made payments of approximately HK\$21.6 million and HK\$3.9 million respectively to Deutsche Bank AG under the Deed of Indemnity.

On 12th November, 2008, the Interest Rate Swaps were early terminated by Deutsche Bank AG as a result of the Company not paying the interest payment under one of the Interest Rate Swaps on its due date on 20th October, 2008 and the Company received a statement of demand dated 13th November, 2008 for an early termination amount of US\$23,714,693 (equivalent to approximately HK\$184,974,605). Subsequently, on 31st March, 2009, Deutsche Bank AG filed the Writ at the High Court of Hong Kong against the Company, claiming the Company the early termination amount plus interest and costs. On 4th June, 2009, the Company filed a Defence and Counterclaim in response to the Writ, setting out certain lines of defence and counterclaim against Deutsche Bank AG and one of Deutsche Bank AG's employees.

To best serve the interest of the parties, on 16th November, 2009, the Company entered into the Settlement Agreement with Deutsche Bank AG and an amount not to be disclosed pursuant to the terms of the Settlement Agreement would be paid to Deutsche Bank subject to, *inter alia*, the following terms and conditions:

- The settlement amount : Less than US\$23,714,693 (equivalent to approximately HK\$184,974,605), and to remain undisclosed without the consent of Deutsche Bank AG.
- Payment : (i) HK\$85 million to be paid on or before 31st January, 2010; and  
(ii) Balance to be paid on or before 30th April, 2010.
- Conditions : The Settlement Agreement may be terminated by Deutsche Bank AG if the following conditions are not fulfilled:
- (i) Announcement of the Open Offer before 30th November, 2009; and
- (ii) Completion of the Open Offer on or before 31st January, 2010.

- Stay of Action : The Action will be stayed from the date of the Settlement Agreement until the earlier of (i) the discontinuance of the Action in accordance with the Settlement Agreement; or (ii) the termination of the Settlement Agreement. During the period of the Stay, the Parties shall take no formal steps in the Action except, if required, to formalise the Stay.
- Discontinuation of Action : Upon receipt of all the payment by Deutsche Bank AG under the Settlement Agreement, Deutsche Bank AG will discontinue the Action within 7 days, with no order as to costs.

In light of the Settlement Agreement, Mr. Lin's liability towards the Company under the Deed of Indemnity is approximately HK\$29.2 million, which Mr. Lin intends to finance by placing down some or all of the Sale Shares. In this respect, Mr. Lin has appointed Yu Ming and Get Nice as the joint Placing Agents. The placing of Mr. Lin's Sale Shares, if successfully completed, may or may not introduce a new controlling shareholder to the Company.

As the placing of the Sale Shares is on a best effort basis, and the number and the placing price of Sale Shares are subject to the mutual agreement of Mr. Lin and the Placing Agents, there is no certainty on the final placing price or that the placing will actually take place. As such, no mandatory general offer is triggered as at the date of this announcement. Further announcement will be made in this respect.

#### **RESIGNATION OF EXECUTIVE DIRECTOR**

Mr. Lin has offered to resign as an executive Director, an authorised representative of the Company and a member of the remuneration committee of the Company in view of the unsatisfactory results of the Company for the year ended 30th June, 2009. The Board has reluctantly accepted Mr. Lin's resignation of the above positions effective from 16th November, 2009. Mr. Lin confirmed that he has no disagreement with the Board and there was no other matter relating to his resignation that would need to be brought to the attention of the Shareholders. The Board would like to thank Mr. Lin for his contribution to the Company during his service with the Company.

#### **APPOINTMENT OF AUTHORISED REPRESENTATIVE**

The Board is pleased to announce that Mr. Xiang Song, an executive Director, is appointed as an authorised representative of the Company with effect from 16th November, 2009.

#### **APPOINTMENT OF MEMBER OF REMUNERATION COMMITTEE**

The Board is pleased to announce that Mr. Lin Wan Xin, an executive Director, is appointed as a member of the remuneration committee of the Company with effect from 16th November, 2009.

## **BACKGROUND AND REASONS OF THE OPEN OFFER**

Considering the settlement obligation of the Company under the Settlement Agreement, current liabilities of the Company and the forthcoming operational cash requirement and capital expenditure commitment by the Company, the Board intends to carry out the Open Offer to raise approximately HK\$50.3 million before expenses to finance the payment to be made by the Company to Deutsche Bank AG. Details of the Open Offer are set out below in this announcement.

### **Offer Statistics**

|   |   |   |
|---|---|---|
| Subscription Price  | : | HK\$0.18  |
| Basis of the Open Offer                                       | : | One Offer Share for every two Shares held at 5:00 p.m. on the Record Date             |
| Number of Shares in issue as at the date of this announcement | : | 558,965,000 Shares  |
| Number of Offer Shares  | : | 279,482,500 Offer Shares assuming no new Shares will be issued before the Record Date |
| Underwriter   | : | Upbest Securities Company Limited   |

To the best of the Directors' knowledge and information and after making reasonable enquiries, the Underwriter and its ultimate beneficial owners are independent third parties and not connected persons (as defined in the Listing Rules) of the Company.

As at the date of this announcement, the Company has no share options or convertible securities outstanding entitling any person to subscribe for Shares prior to the Record Date.

The aggregate number of Offer Shares under the Open Offer represents approximately 50% of the total issued share capital of the Company as at the date of this announcement and will represent approximately 33.33% of the total issued share capital of the Company as enlarged by the new Shares to be issued under the Open Offer.

As at the date of this announcement, Mr. Lin held 230,131,780 Shares, representing approximately 41.17% of the total issued share capital of the Company. As aforementioned, Mr. Lin appointed Yu Ming and Get Nice as the joint Placing Agents to place down part or all of his shareholding in the Company. There is no certainty as to whether the Placing Agents will be able to place any or all of the Sale Shares, and the price of the placing is subject to further agreement by Mr. Lin and the Placing Agents. As such, Mr. Lin is not in a position as of the date of this announcement to decide whether he or the purchaser(s) of his Sale Shares will take up the relevant Offer Shares attributable to the Sale Shares under the Open Offer.

## **SUBSCRIPTION PRICE**

The Subscription Price for the Offer Shares is HK\$0.18 per Offer Share, payable in full upon application. The Subscription Price represents:

- (i) a discount of approximately 51.35% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 50.41% to the average closing price of HK\$0.363 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the Last Trading Day;
- (iii) a discount of approximately 49.15% to the average closing price of HK\$0.354 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the Last Trading Day;
- (iv) a discount of approximately 41.37% to the theoretical ex-entitlement price of HK\$0.307 per Share, which is calculated based on the closing price of HK\$0.37 per Share on the Last Trading Day; and
- (v) a discount of approximately 86.05% to the unaudited consolidated net asset value per Share of approximately HK\$1.29 as at 30th June, 2009 calculated based on the net asset value of the Company of RMB634,465,000 (approximately HK\$720,245,000) and 558,965,000 Shares in issue as at the date of this announcement.

The Subscription Price was determined by the Directors after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares, the prevailing market conditions, the significant losses reported in the audited consolidated accounts of the Company for the year ended 30th June, 2009, and the outlook of the global economy. The Directors consider that the terms of the Open Offer, including the Subscription Price and the discounts to the market price of the Shares as indicated above, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. To the extent reasonably practicable, the Company will send copies of the Prospectus to each of the Excluded Shareholders for their information only but will not send any Application Form or Excess Application Form to them.

To qualify for the Open Offer, a Shareholder or an investor must be: (i) registered as a member of the Company at 5:00 p.m. on the Record Date; and (ii) not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, all transfers of Shares must be lodged for registration with the Registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before the register of members is closed. The Company will further announce the detailed timetable relating to the Open Offer, including the Record Date and book closure period.

### **Rights of the Excluded Shareholders**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation or equivalent legislation of any jurisdiction other than Hong Kong.

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Open Offer.

The Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to offer the Offer Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the places of their registered addresses or the requirements of the relevant regulatory bodies or stock exchanges in those places outside Hong Kong, the Open Offer will not be available to such Overseas Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Open Offer will be set out in the Prospectus. If they are excluded, the Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but the Company will not send any Application Form or Excess Application Form to the Excluded Shareholders.

### **Application for excess Offer Shares**

Qualifying Shareholders shall be entitled to apply for, any unsold entitlements of the Excluded Shareholders and any Offer Shares not taken up by the Qualifying Shareholders by completing the Excess Application Forms and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Directors will allocate the excess Offer Shares at their sole discretion on a fair and equitable basis, in proportion to the number of excess Offer Shares being applied for under each application, except that preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd lots holdings to whole board lots holdings.

Investors whose Shares are held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee should note that the aforesaid arrangement in relation to the round up of odd lots for allocation of excess Offer Shares will not be extended to them individually. Beneficial owners with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names.

## **Fractions of the Offer Shares**

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

## **Odd lots arrangements**

The Company will not procure an agent to arrange for odd lots matching service.

## **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the then existing Shares in issue, such that holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

## **Share certificates and refund cheques for the Open Offer**

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares to those Qualifying Shareholders who have validly applied and fully-paid for the Offer Shares and, if any, refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares (if any) are expected to be posted by ordinary post at their own risks.

## **Application for listing of the Offer Shares on the Stock Exchange**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares in fully-paid form. The Offer Shares are expected to have the same board lot size as the Shares, being 4,000 Shares in one board lot.

Dealings in the Offer Shares in fully-paid form will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

## **Offer Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Offer Shares in fully-paid form on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares in fully-paid form will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Offer Shares in fully-paid form on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **Principal Terms of the Underwriting Agreement**

|  |   |   |
|--|---|---|
| Date   | : | 16th November, 2009   |
| Underwriter  | : | Upbest Securities Company Limited   |
| Number of Underwritten Shares<br>(based on the Shares in issue as at<br>the date of this announcement) | : | 279,482,500 Offer Shares  |
| Commission   | : | 2.5% of the aggregate amount underwritten. Based on<br>279,482,500 Underwritten Shares, underwriting commission<br>is estimated to be approximately HK\$1.26 million. |

The Board considers the terms of the Underwriting Agreement including the rate of commission to be fair and reasonable so far as the Company and the Shareholders are concerned.

## **Conditions of the Open Offer and the Underwriting Agreement**

Completion of the Open Offer is conditional upon the fulfillment of each of the following conditions:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purposes only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Posting Date;
- (iii) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings; and
- (iv) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms.

The Underwriter may at any time by notice in writing to the Company waive the condition (iv) set out in the above. Save and except the condition (iv) set out in the above, other conditions of the Underwriting Agreement are incapable of being waived. If the conditions are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination (or such other time and date as stipulated in all the conditions in the above) or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate (save in respect of any rights and

obligations which may accrue under the Underwriting Agreement prior to such termination) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

### **Termination of the Underwriting Agreement**

The Underwriter shall have the absolute right, after reasonable consultation with the Company as the Underwriter in its sole and absolute discretion sees fit, to terminate the Underwriting Agreement by giving notice to the Company, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:

- (i) any breach, considered by the Underwriter in its absolute discretion to be material in the overall context of the Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement; or
- (ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by the Underwriter in its absolute discretion to be material in the overall context of the Open Offer; or
- (iii) any statement contained in the Prospectus, considered by the Underwriter in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any material respect; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by the Company in favour of the Underwriter under the Underwriting Agreement; or
- (v) any adverse change in the business or the financial or trading position of any member of the Group considered by the Underwriter in its absolute discretion to be material; or
- (vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:
  - (a) any material change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or
  - (b) the introduction of any new law or any material change in existing laws, or any material change in the interpretation or application of such laws by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or
  - (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or

- (d) the imposition of any moratorium, prolonged suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in any class of Shares or the transfer or dividend payment in respect of any class of Shares; or
- (f) any change in the system under which the value of Hong Kong Dollars is pegged to that of United States Dollars, considered by the Underwriter in its absolute discretion to be material; or
- (g) any material change in the exchange rate between the United States Dollars and RMB, or between Hong Kong Dollars and RMB, considered by the Underwriter in its absolute discretion to be material; or
- (h) any litigation or claim of material importance being threatened or instigated against any member of the Group; or
- (i) any material change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities);

which, in the sole and absolute opinion of the Underwriter:

- (1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or
- (2) has, or will have, or could be expected to have, a material adverse effect on the success of the Open Offer; or
- (3) makes it inadvisable, inexpedient or impractical to proceed with the Open Offer.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

## Shareholding Structure

The shareholding structure of the Company before and after the completion of the Open Offer is illustrated as follows:

| Shareholder                            | As at the date of this announcement |                       | Immediately after completion of the Open Offer (assuming all Offer Shares will be taken up by the Qualifying Shareholders) |                       | Immediately after completion of the Open Offer (assuming no Offer Shares will be taken up by the Qualifying Shareholders) |                       |
|--|-------------------------------------|-----------------------|--|-----------------------|---|-----------------------|
|  | Shares                              | %                     | Shares   | %                     | Shares  | %                     |
| <b>Non-public</b>                      |                                     |                       |  |                       |   |                       |
| Mr. Lin                                | <u>230,131,780</u>                  | <u>41.17%</u>         | <u>345,197,670</u>   | <u>41.17%</u>         | <u>230,131,780</u>  | <u>27.45%</u>         |
| <b>Non-public subtotal</b>             | <b><u>230,131,780</u></b>           | <b><u>41.17%</u></b>  | <b><u>345,197,670</u></b>  | <b><u>41.17%</u></b>  | <b><u>230,131,780</u></b>   | <b><u>27.45%</u></b>  |
| Underwriter                            | —                                   | 0.00%                 | —  | 0.00%                 | 279,482,500   | 33.33%                |
| <b>Public</b>                          |                                     |                       |  |                       |   |                       |
| Atlantis Investment Management Limited | 45,000,000                          | 8.05%                 | 67,500,000   | 8.05%                 | 45,000,000  | 5.37%                 |
| Webb David Michael                     | 33,464,000                          | 5.99%                 | 50,196,000   | 5.99%                 | 33,464,000  | 3.99%                 |
| Other Shareholders                     | <u>250,369,220</u>                  | <u>44.79%</u>         | <u>375,553,830</u>   | <u>44.79%</u>         | <u>250,369,220</u>  | <u>29.86%</u>         |
| <b>Public subtotal</b>                 | <b><u>328,833,220</u></b>           | <b><u>58.83%</u></b>  | <b><u>493,249,830</u></b>  | <b><u>58.83%</u></b>  | <b><u>328,833,220</u></b>   | <b><u>39.22%</u></b>  |
| <b>Total</b>                           | <b><u>558,965,000</u></b>           | <b><u>100.00%</u></b> | <b><u>838,447,500</u></b>  | <b><u>100.00%</u></b> | <b><u>838,447,500</u></b>   | <b><u>100.00%</u></b> |

Assuming that none of the Qualifying Shareholders takes up any of their entitlements under the Open Offer, it is possible that the Underwriter will hold approximately 33.33% of the total issued share capital of the Company upon completion of the Open Offer. The Underwriter has entered into sub-underwriting arrangement with sub-underwriters to ensure that its holding in the Company will not reach 30% or more of the total issued share capital of the Company.

## Use of proceeds

The net subscription price per Offer Share upon full acceptance of the Offer Shares is expected to be approximately HK\$0.16. The estimated expenses in relation to the Open Offer is approximately HK\$5.3 million. The estimated net proceeds of the Open Offer, after the deduction of all estimated expenses will be approximately HK\$45.0 million. The Company intends to apply the proceeds from the Open Offer to settle payment liable under the Settlement Agreement.

The Directors believe that the Open Offer is in the interests of the Group and the Shareholders as a whole.

## **PREVIOUS FUND RAISING EXERCISES OF THE COMPANY**

Save for the proposed Open Offer, the Company has not undertaken any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

### **GENERAL**

Pursuant to Rule 7.24(5) of the Listing Rules, since the Open Offer would increase the issued share capital of the Company by no more than 50% within the 12-month period immediately preceding this announcement, the Open Offer is not subject to approval by the Shareholders.

The Company will send the Prospectus Documents containing, among other documents, details of the Open Offer, to the Qualifying Shareholders as soon as practicable. The Company will also send the Prospectus to Excluded Shareholders, if any, as soon as practicable for their information only but the Company will not send any Application Forms or any Excess Application Forms to the Excluded Shareholders, if any.

### **WARNING OF THE RISKS OF DEALINGS IN SHARES**

**It should be noted that the Open Offer is subject to conditions to be fulfilled and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure.**

**Any Shareholder or other person dealing in Shares or other securities of the Company up to the date on which all the conditions to which the Open Offer is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will bear the risk that the Open Offer may not become unconditional and may not proceed. If in any doubt, Shareholders, and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:46 a.m. on 16th November, 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 18th November, 2009.

## DEFINITIONS

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

|                           |  |
|---------------------------|--|
| “Action”                  | the action by Deutsche Bank AG against the Company under the action number HCA 917 of 2009 in the High Court of Hong Kong, including the claim under the Writ;   |
| “Application Form(s)”     | the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares;  |
| “associate(s)”            | has the meaning ascribed thereto under the Listing Rules;  |
| “Board”                   | the board of Directors, or the executive committee established by the board of Directors with the full power of the Board;   |
| “Business Day”            | a day on which banks are generally open for normal banking business in Hong Kong other than Saturdays and Sundays;   |
| “CCASS”                   | the Central Clearing and Settlement System established and operated by HKSCC;  |
| “Company”                 | Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange;  |
| “Deed of Indemnity”       | the deed of indemnity dated 12th December, 2007 executed by Mr. Lin in favour of the Company in which Mr. Lin agreed to perform the interest payment obligation of the Company under the Swap Agreements and is obliged to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of his failure in performance of the said obligation; |
| “Director(s)”             | director(s) of the Company;  |
| “Excess Application Form” | the excess application form(s) to be issued to the Qualifying Shareholders in respect of applications for excess Offer Shares pursuant to the Open Offer;  |
| “Excluded Shareholder(s)” | Overseas Shareholder(s) in respect of whom the Directors, based on legal advice, consider it necessary or expedient not to offer the Offer Shares on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;  |

|                               |  |
|-------------------------------|--|
| “Get Nice”                    | Get Nice Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management), one of the Placing Agents to Mr. Lin; |
| “Group”                       | the Company and its subsidiaries;  |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong;   |
| “HKSCC”                       | Hong Kong Securities Clearing Company Limited;   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the People’s Republic of China;   |
| “Interest Rate Swaps”         | the two 5-year interest rate swaps with a notional amount of HK\$390,000,000 and US\$100,000,000, the terms of which are set out in the Swap Agreements, involving semi-annual net exchange of interest payments between the Company and Deutsche Bank AG;   |
| “Last Trading Day”            | 13th November, 2009, being the last trading day before the suspension of trading in the Shares on the Stock Exchange;  |
| “Latest Time for Termination” | 4:00 p.m. on the day as agreed by the Company and the Underwriter for terminating the Underwriting Agreement;  |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Mr. Lin”                     | Mr. Lin Wan Qaing, controlling Shareholder of the Company, holding 230,131,780 Shares (representing approximately 41.17% of the issued share capital of the Company) as at the date of this announcement;  |
| “Offer Share(s)”              | Share(s) to be issued and allotted under the Open Offer, being 279,482,500 Offer Shares;   |
| “Open Offer”                  | the issue by way of open offer of the Offer Shares on the basis of one Offer Share for every two Shares held on the Record Date at the Subscription Price of HK\$0.18 per Offer Share pursuant to the Prospectus Documents;  |
| “Overseas Shareholder(s)”     | Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong;  |
| “Placing Agents”              | Yu Ming and Get Nice;  |

|                             |  |
|-----------------------------|--|
| “Posting Date”              | the expected date on which the Prospectus Documents are sent to Qualifying Shareholders and the Prospectus to the Excluded Shareholders for information only, or such other date as may be agreed between the Company and the Underwriter; |
| “Prospectus”                | the prospectus relating to the Open Offer prepared in accordance with the requirements of the Listing Rules to be despatched to the Shareholders in due course;  |
| “Prospectus Documents”      | the Prospectus, the Application Form and the Excess Application Form to be issued by the Company to the Qualifying Shareholders in relation to the Open Offer;   |
| “Qualifying Shareholder(s)” | the Shareholder(s) whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s);  |
| “Record Date”               | the time and date by reference to which entitlements of the Qualifying Shareholders to subscribe for the Offer Shares are to be determined;  |
| “RMB”                       | Renminbi, the lawful currency of the People’s Republic of China;   |
| “Registrar”                 | Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong;  |
| “Sale Share(s)”             | 230,131,780 Share beneficially owned by Mr. Lin;   |
| “Settlement Agreement”      | the settlement agreement entered into between the Company and Deutsche Bank AG on 16th November, 2009;   |
| “SFC”                       | The Securities and Futures Commission in Hong Kong;  |
| “SFO”                       | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time;  |
| “Share(s)”                  | ordinary share(s) of HK\$0.10 each in the share capital of the Company;  |
| “Shareholder(s)”            | holders of the Share(s);   |
| “Stay”                      | the stay by mutual consent of the Action;  |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited;   |
| “Subscription Price”        | the subscription price of HK\$0.18 per Offer Share;  |
| “Swap Agreements”           | the structured interest rate swap agreements entered into by the Company with Deutsche Bank AG on 8th February, 2007 and 11th April, 2007 respectively;  |

|                          |   |
|--------------------------|---|
| “Takeovers Code”         | the Hong Kong Code on Takeovers and Mergers;  |
| “Underwriter”            | Upbest Securities Company Limited, licensed under the SFO to undertake regulated activities for types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management);  |
| “Underwriting Agreement” | the underwriting agreement dated 16th November, 2009 entered into between the Company and the Underwriter for underwriting the Underwritten Shares in relation to the Open Offer;   |
| “Underwritten Shares”    | Offer Shares to be underwritten by the Underwriter;   |
| “Upfront Payments”       | the total upfront payments received by the Company under the Swap Agreements, totally a sum of approximately HK\$117,000,000;   |
| “US\$”                   | United States Dollars, the lawful currency in the United States of America;   |
| “Writ”                   | the writ of summons dated 31st March, 2009 filed by Deutsche Bank AG as plaintiff and the Company as defendant in a claim arising from the Swap Agreements;   |
| “Yu Ming”                | Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management), being the financial adviser to the Company and one of the Placing Agents to Mr. Lin; |
| “%”                      | per cent.   |

*(The exchange rates used for the purpose of this announcement are at US\$1 = HK\$7.8 and RMB1 = HK\$1.1352)*

Yours faithfully,  
For and on behalf of  
**SINOTRONICS HOLDINGS LIMITED**  
**Lin Wan Xin**  
*Chairman*

Hong Kong, 17th November, 2009

*As at the date of this announcement, the Board comprises Mr. Lin Wan Xin, Mr. Xiang Song, Mr. Hu Zhao Rui, Mr. Tu Shuguang and Mr. Chan Kin as executive Directors, and Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen as independent non-executive Directors.*

\* for identification purposes only