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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)

DEED OF INDEMNITY BY THE CONTROLLING SHAREHOLDER IN FAVOUR OF THE COMPANY

Mr. Lin, the controlling shareholder of the Company, had on 12 December 2007 executed the Deed of Indemnity in favour of the Company, pursuant to which Mr. Lin agreed to perform the interest payment obligation of the Company under the Derivative Transactions as from the date of the Deed of Indemnity to the extent as contained therein and 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.

Reference is made to the Derivative Transactions entered into by the Company as mentioned in note 24 of the financial statements of the Company for the year ended 30 June 2007. Concerns by investors of the Company over the financial exposure of the Company under the Derivative Transactions that relevant trend of the interest constituting the subject matter of the relevant indices governing the Derivative Transactions may develop in such a way that after netting off the interest payment obligation(s) between the parties to the Derivative Transactions, may result in the Company being in aggregate the net paying party for interest in excess of the amount of the Upfront Payment received by the Company. In order to minimize speculation on the financial exposure of the Company under the Derivative Transactions, Mr. Lin, the controlling shareholder of the Company, agreed to provide financial assistance to the Company in respect of its obligations in connection with the Derivative Transactions.

DEED OF INDEMNITY

Date: 12 December 2007

Parties: (1) Mr. Lin Wan Qaing (as the indemnifier)
(2) Sinotronics Holdings Limited (as the beneficiary)

Mr. Lin undertakes to perform the interest payment obligation of the Company under the Derivative Transactions as from the date of the Deed of Indemnity to the extent as follows:

- (i) in respect of each interest payment period, payment by Mr. Lin will be limited to the interest payable by the Company to DB after netting off the amount of interest payable by DB to the Company, if any;
- (ii) in case the Company receives interest from DB after netting off the interest payable by it to DB and the interest payable by DB, the Company will keep such interest received from DB; and
- (iii) at the Maturity Date, the Company shall reimburse Mr. Lin such amount of sum(s) paid by Mr. Lin to the Company under the Deed of Indemnity to the extent of the amount of the Cash Inflow and for the avoidance of doubt if the Cash Inflow exceeds the aggregate amount of sums actually paid by Mr. Lin to the Company under the Deed of Indemnity, Mr. Lin will only be required to reimburse the Company such amount equivalent to the sum actually paid by Mr. Lin to the Company under the Deed of Indemnity.

Mr. Lin agrees 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.

BENEFITS FOR ENTERING INTO THE DEED OF INDEMNITY

Given Mr. Lin is assuming the interest payment obligations of the Company and the Company is only required to reimburse him to the extent of the Cash Inflow, if the Company is eventually be liable to pay more interest than it receives from DB (i.e. make a loss), the maximum future financial exposure or cash outflow of the Company under the Derivative Transactions as a result of the arrangement under the Deed of Indemnity will be contained at the amount of the Upfront Payment. If however, future interest rates develop in such a way that the aggregate interest receivable by the Company from DB shall be greater than the interest payable by the Company to DB (i.e. the Company makes a profit, this would also mean that the interest actually paid out by Mr. Lin is less than the interest received by the Company), the Company will still be entitled to keep the difference, since the Company is only required to reimburse Mr. Lin such amount equivalent to the sum actually paid by Mr. Lin to the Company under the Deed of Indemnity. Accordingly, the Company remains to be able to enjoy the upside bargain of the transaction. Effectively, the Deed of Indemnity has shifted the risk of the Derivative Transactions, if any, to Mr. Lin, but retain the benefit, if any, of the transaction.

As the first payment of interest, in the sums of HK\$3,900,000 and US\$1,000,000 (equivalent to approximately HK\$7,800,000), was paid by the Company in respect of SWAP1 and SWAP2 respectively, the said sums will not be subject to the reimbursement arrangement under the Deed of Indemnity.

The Deed of Indemnity constitutes provision of financial assistance by a connected person for the benefit of the Company on terms better than normal commercial terms and is therefore exempt from reporting, announcement and independent shareholders' approval requirement under Rule 14A.65(4) of the Listing Rules.

DETAILS OF THE DERIVATIVE TRANSACTIONS

On 8 February 2007, the Company has entered into a structured interest rate swap transaction of notional amount of HK\$390,000,000 (the “SWAP 1”) with DB incorporated therein a feature of an upfront payment in the sum of HK\$39,000,000 paid by DB to the Company. For the financial year ended 30 June 2007, loss arising from changes in fair value of the SWAP 1 amounted to approximately RMB 5,745,000. The principal key terms of the SWAP 1 are summarised as follows:

- Notional amount HK\$390,000,000
- Trade date 8 February 2007
- Effective date 14 February 2007
- Date of maturity 14 February 2012
- Upfront payments paid by DB to the Company HK\$39,000,000
- Subsequently each party pays to the other party interest on the notional amount in accordance with the following terms:

DB pays to the Company

- Interest rate 7%, for the period starting from 14 February 2007 to 13 August 2007; thereafter
7%*N/D from 14 August 2007 to 14 February 2012
- Payment frequency Semi-annually
- Day count 30/360

The Company pays to DB

- Interest rate 9% per annum
- Payment frequency Semi-annually
- Day count 30/360

On 11 April 2007, the Company has entered into another structured interest rate swap transaction of notional amount of US\$100,000,000 (equivalent to approximately HK\$780,000,000) (the “SWAP 2”) with DB incorporated therein a feature of an upfront payment in the sum of US\$10,000,000 (equivalent to approximately HK\$78,000,000) paid by DB to the Company. For the financial year ended 30 June 2007, loss arising from changes in fair value of the SWAP 2 amounted to approximately RMB33,214,000. The principal key terms of the SWAP 2 are summarised as follows:

- Notional amount US\$100,000,000 (equivalent to approximately HK\$780,000,000)
- Trade date 11 April 2007
- Effective date 19 April 2007
- Date of maturity 19 April 2012
- Upfront payments paid by DB to the Company US\$10,000,000 (equivalent to approximately HK\$78,000,000)
- Subsequently each party pays to the other party interest on the notional amount in accordance with the following terms:

DB pays to the Company

- Interest rate 8% per annum
- Payment frequency Semi-annually
- Day count 30/360

The Company pays to DB

- Interest rate 10% per annum, for the period starting from 19 April 2007 to 18 October 2007; thereafter
10% – 5*(index YoY Return – 1%), which is capped at 13% per annum and floored at 0% per annum
- Payment frequency Semi-annually
- Day count 30/360

DEFINITION

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

“Cash Inflow”	the aggregate amount of (a) the sum received, if any, by the Company in respect of the Derivative Transactions on Interest Payment Dates and (b) the Upfront Payment;
“Company”	Sinotronics Holdings Limited;
“D”	the actual number of business days in such Observation Period;
“DB”	Deutsche Bank AG;
“Deed of Indemnity”	the deed of indemnity dated 12 December 2007 executed by Mr. Lin in favour of the Company;
“Derivative Transactions”	the two structured interest rate swaps transactions entered into by the Company with DB as mentioned in note 24 of the financial statements of the Company for the year ended 30 June 2007;
“Director(s)”	directors of the Company;
“HK\$”	the lawful currency of Hong Kong Special Administrative Region;
“Index”	Deutsche Bank Pan-Asian Forward Rate Bias Index (AFRB Index) as published on the Bloomberg Page DBFRASI2;
“Index YoY Return”	the closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the coupon payment date which is two coupon payment periods prior to the relevant coupon payment date (or effective date in case of the second coupon payment period) – 1;
“Interest Payment Dates”	the dates stipulated for payment of interest under the Derivative Transactions by the parties thereto;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Maturity Date”	19 April 2012;
“Mr. Lin”	Lin Wan Qaing, an executive Director;

“N”	the number of business days in the Observation Period (each such date a “Reference Date”) for which Reference Rate 1 minus Reference Rate 2 is greater than or equal to 0%. For purposes of calculating “N” for each Observation Period, the Reference Rate 1 and Reference Rate 2 shall be observed on each Reference Date during such Observation Period (each such date on “Observation Date”);
“Observation Period”	each period beginning from and including the day which is five business days prior to the previous payment date (or the effective date in the case of the first six months), to but excluding the day that is six business days prior to the next following payment date;
“Reference Rate 1”	the HKD-Swap Rate published by the International Swaps and Derivatives Association Inc with a designated maturity of ten years;
“Reference Rate 2”	the HKD-Swap Rate published by the International Swaps and Derivatives Association Inc with a designated maturity of two years;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Upfront Payment”	the total upfront payments received by the Company under the Derivative Transactions, totally a sum of about HK\$117,000,000;
“US\$”	US dollars, the lawful currency of the United States of America.

By Order of the Board
Sinotronics Holdings Limited
Liu Zhao Cai
Chairman

Hong Kong, 12 December 2007

As at the date of this announcement, the Board comprises Mr. Liu Zhao Cai, Mr. Xiang Song, Mr. Lin Wan Qaing, Mr. Lin Wan Xin, Mr. Hu Zhao Rui 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*