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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)

**PLACING OF NEW SHARES UNDER
THE GENERAL MANDATE
AND
RESUMPTION OF TRADING**

Financial adviser to the Company



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

PLACING OF NEW SHARES

On 15 December 2009 (after trading hours), an Agreement was entered into between the Company and the Subscribers (being Independent Third Parties) pursuant to which the Subscribers have conditionally agreed to subscribe for an aggregate of 111,793,000 new Shares. The Placing Price is HK\$0.38 per Placing Share. Completion of the Placing is subject to, amongst other matters, (i) the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares; and (ii) the completion of the General Offer.

The price per Placing Share represents (i) a discount of approximately 18.28% to the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on 15 December 2009, being the date of the Agreement; and (ii) a discount of approximately 18.98% to the average closing price of approximately HK\$0.469 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement which is 15 December 2009.

The Placing Shares represent (i) approximately 20% of the existing issued share capital of the Company and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The gross proceeds to be raised from the Placing will be approximately HK\$42,481,340. The net proceeds from the Placing will amount to approximately HK\$40.5 million.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 16 December 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 17 December 2009 following the publication of this announcement.

THE PLACING

1. The Agreement

Date : 15 December 2009 (after trading hours)

Parties : (i) the Company
(ii) the Subscribers

Parties to the Agreement:

The Agreement dated 15 December 2009 was entered into between the Company (as issuer) and the Subscribers (as subscribers).

Mr. Zhang Shaofen, Ms. Chen Li Hua, Ms. Yu Wai Fong, Ms. Tsang Siu Lan and Ms. Zheng Qing Hong as the Subscribers.

Otherwise than the agreement to subscribe for the Placing Shares under the Agreement, the Subscribers are Independent Third Parties. Immediately before the signing of the Agreement, the Subscribers did not have any interest in any Shares.

Number of Placing Shares:

The Placing Shares, representing approximately 20% of the existing total number of issued shares of the Company of 558,965,000 Shares and approximately 16.67% of the total number of issued shares of the Company of 670,758,000 Shares as enlarged by the issue and allotment of the Placing Shares. The aggregate nominal value of the Placing Shares is HK\$11,179,300.

Placing Price:

The Placing Price has been determined with reference to the prevailing market price of the Shares. The price per Placing Share represents (i) a discount of approximately 18.28% to the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on 15 December 2009, being the date of the Agreement; and (ii) a discount of approximately 18.98% to the average closing price of approximately HK\$0.469 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement which is 15 December 2009.

Allocation of Placing Shares:

The following table summarises the number of Placing Shares and the aggregate amount of the Placing Price to be paid by each of the Subscribers:

Name of Subscriber	Number of Placing Shares	Aggregate amount of Placing Price (HK\$)
Mr. Zhang Shaofen	14,000,000	5,320,000
Ms. Chen Li Hua	25,000,000	9,500,000
Ms. Yu Wai Fong	13,000,000	4,940,000
Ms. Tsang Siu Lan	23,000,000	8,740,000
Ms. Zheng Qing Hong	<u>36,793,000</u>	<u>13,981,340</u>
Total	<u><u>111,793,000</u></u>	<u><u>42,481,340</u></u>

Ranking of Placing Shares:

The Placing Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of issue and allotment of the Placing Shares.

Completion of Placing:

The Placing is expected to be completed within three (3) Business Days from the date of fulfillment of the conditions precedent set out below or such later date as the Company and the Subscribers may agree in writing.

Conditions of the Agreement:

Completion of the Agreement is conditional upon:

- (a) the SFC in Hong Kong granting a waiver under Rule 4 of the Takeovers Code to the Company's allotting and issuing the Placing Shares to the Subscribers under the Agreement;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant permission to deal in and listing of the Placing Shares;
- (c) if required, the Cayman Islands Monetary Authority granting permission to issue and allot the Placing Shares;
- (d) an opinion of the Cayman Islands' lawyers confirming that the issue of the Placing Shares fall within the General Mandate issued on 23 December 2008 to allot, issue and deal with additional shares of the Company, not exceeding 20% of the issued share capital of the Company as at 23 December 2008;
- (e) the completion of the General Offer; and
- (f) any other applicable legal or regulatory requirements.

If any of the conditions set out in the Agreement is not fulfilled within sixty (60) days from the date of the Agreement or such later dates as may be mutually agreed between the parties in writing, all liabilities of the parties to the Agreement will cease and determine and no party will have any claim against any other.

Each of the parties to the Agreement undertakes to the other parties that he/she/it will use his/her/its respective best endeavours to the extent it is within their power to do so to ensure that the above conditions of the Agreement are fulfilled within sixty (60) days from the date of the Agreement or such later date as the parties may mutually agree.

General Mandate to issue the Subscription Shares:

The Placing Shares will be issued under the General Mandate. Under the General Mandate, the Company is authorized to issue 111,793,000 Shares. As at the date of this announcement, the Company has not utilised any of the General Mandate. Accordingly, the Company is allowed to issue up to 111,793,000 Shares under the General Mandate.

2. Effect of the Placing on the Shareholding Structure of the Company

The effect of the Placing on the shareholding structure of the Company (assuming no exercise of the outstanding options under the share option scheme of the Company) on the scenario that (i) immediately after the completion of the Open Offer (assuming all Offer Shares will be taken up by the Qualifying Shareholders); and (ii) immediately after completion of the Open Offer (assuming no Offer Shares will be taken up by the Qualifying Shareholders other than the Offeror) is set out below:

Scenario 1: immediately after the completion of the Open Offer (assuming all Offer Shares will be taken up by the Qualifying Shareholders)

	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 following completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Share	Approximate %
Shareholder						
The Offeror	230,131,780	41.17	345,197,670	41.17	345,197,670	36.34
Sub-Underwriter (Note 1)						
Mr. Zhan Hong Wei	—	0.00	—	0.00	—	0.00
The Offeror (Note 2)	—	0.00	—	0.00	—	0.00
Sub-total:	230,131,780	41.17	345,197,670	41.17	345,197,670	36.34
Public Shareholders						
Atlantis Investment Management Limited	45,000,000	8.05	67,500,000	8.05	67,500,000	7.10
The Subscribers (Note 3)	—	—	—	—	111,793,000	11.76
Other public	283,833,220	50.78	425,749,830	50.78	425,749,830	44.80
Sub-total:	328,833,220	58.83	493,249,830	58.83	605,042,830	63.66
Total	<u>558,965,000</u>	<u>100.00</u>	<u>838,447,500</u>	<u>100.00</u>	<u>950,240,500</u>	<u>100.00</u>

Scenario 2: immediately after the completion of the Open Offer (assuming no Offer Shares will be taken up by the Qualifying Shareholders other than the Offeror)

	As at the date of this announcement		Immediately after completion of the Open Offer (assuming no Offer Shares will be taken up by the Qualifying Shareholders other than the Offeror)		Immediately following completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Share	Approximate %
Shareholder						
The Offeror	230,131,780	41.17	345,197,670	41.17	345,197,670	36.34
Sub-Underwriter (Note 1)						
Mr. Zhan Hong Wei	—	0.00	110,000,000	13.12	110,000,000	11.58
The Offeror (Note 2)	—	0.00	54,416,610	6.49	54,416,610	5.73
Sub-total:	230,131,780	41.17	509,614,280	60.78	509,614,280	53.65
Public Shareholders						
Atlantis Investment Management Limited	45,000,000	8.05	45,000,000	5.37	45,000,000	4.73
The Subscribers (Note 3)	—	—	—	—	111,793,000	11.76
Other public	283,833,220	50.78	283,833,220	33.85	283,833,220	29.86
Sub-total:	328,833,220	58.83	328,833,220	39.22	440,626,220	46.35
Total	558,965,000	100.00	838,447,500	100.00	950,240,500	100.00

Notes:

- (1) The Offeror and Mr. Zhan Hong Wei are the Sub-Underwriters for the Open Offer on a fully underwritten basis. Mr. Zhan Hong Wei is a party acting in concert with the Offeror.
- (2) The sub-underwriting obligation of the Offeror under the Sub-underwriting Agreements for the Open Offer includes underwriting of 169,482,500 Offer Shares. Subsequent to the Sub-underwriting Agreements, Mr. Lin placed the Sale Shares to the Offeror. The Offeror has given irrevocable undertaking to the Company to take up all of its entitlement under the Open Offer. Upon deduction of the Offeror's entitlement under the Open Offer as a Shareholder, the underwriting obligation of the Offeror under the Sub-underwriting Agreement will be reduced to 54,416,610 Offer Shares.
- (3) According to the sub-section headed "Allocation of Placing Shares" above, each of the Subscribers will not hold 10% or more of the issued share capital of the Company after Placing.

3. Equity fund raising activities in the past twelve months

Save and except 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.

The Board intends to apply such proceeds from the Open Offer to settle payment for which the Company is liable under the Settlement Agreement. As at the date of this announcement, the proceeds will be used as intended.

4. Reasons for the Placing and use of proceeds

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of printed circuit boards (“PCBs”) and PCBs assembling products and the provision for surface mount technology processing services.

The main reasons for the Placing are that the Company (i) is under a duty of care to adopt a prudent financial policy for raising and ensuring the Company maintains sufficient cash; and (ii) through the Placing can enhance and strengthen the Company’s financial position and improve the Company’s endurance and ability to withstand any unforeseeable financial turmoil or tsunami, for instance, the recent Dubai financial crisis.

As most of the cash of the Group is denominated in Renminbi in the PRC and the PRC subsidiaries are subject to foreign exchange control, the Company is therefore under a duty of care to adopt a prudent financial policy to minimise currency risk. As the obligations under the Settlement Agreement, as announced by the Company on 17 November 2009, must be settled in Hong Kong dollars on or before 30 April 2010, the Board decided after due consideration that raising funds in Hong Kong dollars through Placing could mitigate the exposure of currency risk of the Group.

Apart from the said application of the proceeds to the payment obligations under the Settlement Agreement, the proceeds may also be used for general working capital of the Group. Further, the Company does not exclude the possibility of applying the proceeds of the Placing for future acquisition purposes. The net proceeds of the Placing are approximately HK\$40.5 million and the net price per Placing Share is approximately HK\$0.36.

5. Implications of Rule 4(a) of the Takeovers Code

Rule 4 of the Takeovers Code provides that once a bona fide offer has been communicated to the board of an offeree company or the board of an offeree company has reason to believe that a bona fide offer may be imminent, shareholders’ approval by the shareholders of the offeree company is required for those actions (including the issue of any shares as stipulated in section (a) of Rule 4) which could effectively result in an offer being frustrated, or in the shareholders of the offeree company being denied an opportunity to decide on the merits of an offer. Given that the Agreement is signed during the offer period and the Placing Shares will only be issued after the completion of the General Offer, the Placing will fall within Rule 4(a) of the Takeovers Code.

The Offeror has provided its consent to both the Placing and waiving of the requirement for a shareholders' meeting as contemplated under Note 1 to Rule 4 of the Takeovers Code.

The Company has made a waiver application to the SFC from strict compliance of Rule 4 of the Takeovers Code, and the Executive has granted consent to such waiver.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 16 December 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 17 December 2009 following the publication of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“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
“Agreement”	the placing agreement dated 15 December 2009 entered into between the Company and the Subscribers in respect of the Placing
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“Board”	board of directors of the Company
“Business Day”	means a day other than a Saturday or a Sunday on which banks in Hong Kong are open to the general public for business
“Company”	Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the 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

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“General Mandate”	the general mandate granted to the Board at the annual general meeting of the Company on 23 December 2008 to allot, issue and otherwise deal in up to 111,793,000 Shares
“General Offer”	The mandatory conditional cash offer to be made by Yu Ming Investment Management Limited on behalf of the Offeror for the Shares not already acquired or agreed to be acquired by the Offeror and parties acting in concert with it, details of which has been stated in the announcement of the Company dated 25 November 2009
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	such person(s) who is(are) independent of and not connected nor acting in concert with the Directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, or parties acting in concert with any of them
“Mr. Lin”	Mr. Lin Wan Qaing, a former 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) prior to the completion of the placing of the Sale Shares to the Offeror by Mr. Lin which was completed on 23 November 2009
“Offer Share(s)”	Share(s) to be issued and allotted under the Open Offer, being 279,482,500 Shares
“Offeror”	Union Day Group Limited, a company incorporated in the British Virgin Islands with limited liability
“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 to the Qualifying Shareholders on the terms as set out in 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”	the placement of up to 111,793,000 new Shares to the Subscribers at the Placing Price
“Placing Price”	the placing price of HK\$0.38 per Share

“Placing Shares”	up to 111,793,000 new Shares
“Prospectus”	the prospectus issued by the Company dated 8 December 2009 in relation to the Open Offer
“Prospectus Documents”	the Prospectus, the Application Form and the Excess Application Form in relation to the Open Offer
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Monday, 7 December 2009, being the date by reference to which entitlements of the Qualifying Shareholders to subscribe for the Offer Shares are determined
“Sale Shares”	230,131,780 Shares beneficially owned by Mr. Lin prior to the completion of the placing of the Sale Shares to the Offeror by Mr. Lin which was completed on 23 November 2009
“Settlement Agreement”	the settlement agreement entered into between the Company, Deutsche Bank AG and one of the employees of Deutsche Bank AG against whom the Company lodged a counter claim, on 16 November 2009 for the settlement of the Action
“SFC”	Securities and Futures Commission of Hong Kong
“Shareholder(s)”	Shareholder(s) of the Company
“Shares”	ordinary shares of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Mr. Zhang Shaofen, Ms. Chen Li Hua, Ms. Yu Wai Fong, Ms. Tsang Siu Lan and Ms. Zheng Qing Hong as the Subscribers
“Sub-underwriters”	the Offeror and Mr. Zhan Hong Wei, sub-underwriting 169,482,500 Shares and 110,000,000 Shares under the Open Offer respectively. Mr. Zhan Hong Wei is a party acting in concert with the Offeror
“Sub-underwriting Agreements”	the sub-underwriting agreements entered into between the Underwriter and the Sub-underwriters dated 16 November 2009 to fully sub-underwrite the Offer Shares
“Swap Agreements”	the structured interest rate swap agreements entered into by the Company with Deutsche Bank AG on 8 February 2007 and 11 April 2007 respectively

“Takeovers Code”	the Code on Takeovers and Mergers
“Underwriter”	Upbest Securities Company Limited, a company 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)
“Writ”	the writ of summons dated 31 March 2009 issued by Deutsche Bank AG as plaintiff and the Company as defendant in a claim arising from the Swap Agreements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

Yours faithfully,
For and on behalf of
Sinotronics Holdings Limited
Lin Wan Xin
Chairman

Hong Kong, 16 December 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* For identification purpose only