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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF SHAREHOLDING INTEREST IN
FLORET INDUSTRIES LIMITED**

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DEFINITION

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

“Agreement”	the sale and purchase agreement between Dynamic Fortune and the Purchaser dated 27 May 2005 in relation to the Disposal
“Board”	the board of Directors
“Company”	Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the sale of the Sale Shares by Dynamic Fortune pursuant to the Agreement
“Dynamic Fortune”	Dynamic Fortune Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Floret Industries”	Floret Industries Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 49% by Dynamic Fortune and as to 51% by the Purchaser
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	16 June 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Purchaser”	Mr. Chen Hong Liang
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	49 shares of US\$1.00 each in the capital of Floret Industries, representing 49% of the issued share capital of Floret Industries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITION

“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States of America

In this circular, the exchange rate of HK\$1.00 to RMB1.06 is used. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.



SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

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(Stock Code: 1195)

Executive Directors:

Mr. Lin Wan Qaing
Mr. Chen Yan Shun
Mr. Liu Zhao Cai
Mr. Xiang Song
Mr. Tong Yiu On

Registered office:

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

Independent non-executive Directors:

Mr. Pan Chang Chi
Mr. Cai Xun Shan
Mr. Cheung Chuen

*Head office and principal Place
of business in Hong Kong:*

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

20 June 2005

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
DISPOSAL OF SHAREHOLDING INTEREST IN
FLORET INDUSTRIES LIMITED**

1. INTRODUCTION

On 1 June 2005, the Board announced that Dynamic Fortune, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement on 27 May 2005, pursuant to which Dynamic Fortune agreed to sell, and the Purchaser agreed to acquire, the 49% shareholding interest in Floret Industries for a total consideration of RMB52,000,000 (equivalent to approximately HK\$49,000,000).

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information relating to the Disposal.

* for identification purpose only

2. THE AGREEMENT

Date: 27 May 2005

Parties:

Vendor: Dynamic Fortune, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

Purchaser: Mr. Chen Hong Liang. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is a third party independent of the Group and connected persons (as defined in the Listing Rules) of the Group.

Assets to be disposed of:

49 shares of US\$1.00 each in the capital of Floret Industries, representing 49% of the entire issued share capital of Floret Industries.

Consideration:

The consideration for the disposal of the Sale Shares shall be RMB52,000,000 (equivalent to approximately HK\$49,000,000) and shall be satisfied in cash at completion.

The consideration for the disposal of the Sale Shares was determined with reference to the unaudited consolidated net asset value of Floret Industries in the amount of RMB30,783,000 and carrying amount of interest, including positive goodwill, in Floret Industries in the Group's accounts of RMB51,506,000 as at 31 December 2004. The consideration for the Disposal is arrived at after arm's length negotiation between Dynamic Fortune and the Purchaser.

Conditions:

Completion of the Disposal is conditional upon (i) the warranties given by Dynamic Fortune remaining true and accurate and not misleading as if repeated at completion and at all times between the date of the Agreement and completion; and (ii) all necessary consents being granted by third parties (including but not limited to the governmental or official authorities), if applicable, and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares having been proposed, enacted or taken by any governmental or official authority.

If the conditions are not fulfilled by 31 May 2005, the Disposal shall lapse. The Directors confirm that the conditions have been fulfilled.

Completion date:

On the third business day after the satisfaction of the above conditions.

3. REASONS AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of electronic manufacturing services and the manufacturing and trading of printed circuit board.

LETTER FROM THE BOARD

The Purchaser is a third party independent of the Group and connected persons (as defined in the Listing Rules) of the Group.

Floret Industries and its subsidiaries are principally engaged in the research, development, manufacture and sales products as well as the provision of ancillary services in relation to the automation and intellectualization of electric supply systems. The audited consolidated net profit before and after taxation and extraordinary items of Floret Industries for each of the financial year ended 30 June 2004 are set out as follows:

	Year ended 30 June 2003 <i>RMB\$'000</i>	Year ended 30 June 2004 <i>RMB\$'000</i>
Profit before taxation and extraordinary items	12,414	14,835
Profit after taxation and extraordinary items	12,250	14,734

During the six months ended 31 December 2004, the Group shared the profit of Floret Industries and its subsidiaries of RMB1,124,000. The accounting treatment for the investment in Floret Industries is using the equity method in the Group's accounts.

Following the completion of the Disposal, a gain of approximately RMB494,000 is expected to be recognised by the Group for the year ending 30 June 2005. The gain is calculated based on the difference between the consideration of the Disposal and the unaudited carrying amount of interest in Floret Industries of RMB51,506,000 in the Group's accounts as at 31 December 2004.

In order to further develop and enhance the Group's production capability, the Group's strategy has undergone gradual adjustment from high mix production to medium to large volume production of ancillaries for major customers. The development and expansion of its core business of the provision of electronic manufacturing services and the manufacturing and trading of printed circuit board will be the focus of operations for the coming years. Therefore, the major resources of the Group will also be allocated to the expansion and development of its core business.

In addition, since the acquisition of the shareholding interest in Floret Industries and its subsidiaries by the Group in 2002, the Group has over the years been benefited from the co-operation with Floret Industries and its subsidiaries in terms of enhancing the Group's research and development as well as design capabilities in respect of the fabrication of thick copper printed circuit boards and metal-based multilayer printed circuit boards. The Directors consider that as the Group's staff and technicians are now fully equipped and independent enough to support the needs of the Group's future development and in view of the Group's strategy to concentrate on its core business, they decided to dispose of the Group's shareholding interest in Floret Industries.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole.

The net proceeds from the Disposal are expected to be an amount of approximately RMB51,500,000 and will be used mainly for general working capital.

LETTER FROM THE BOARD

Assuming that the Disposal had been completed on 31 December 2004, the Disposal would result in an increase in both of the Group's unaudited profit attributable to shareholders and unaudited total assets of approximately RMB494,000. Save as disclosed above, the entering into of the Agreement will not have any immediate effects on the earnings, assets and liabilities of the Group.

4. FURTHER INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully
For and on behalf of
SINOTRONICS HOLDINGS LIMITED
Lin Wan Qaing
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, no Directors or chief executive of the Company, save as disclosed below, had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

(i) Interests in issued Shares

Name	Capacity	Type of interests	Number of shares	Approximate % of the issued share capital
Lin Wan Qaing	Beneficial owner	Personal	245,267,780	52.45

(ii) Interests in underlying Shares

Name of Director	Nature	Capacity	Total number of underlying Shares
Lin Wan Qaing	Share options (<i>Note</i>)	Personal interest	4,000,000
Chen Yan Shun	Share options (<i>Note</i>)	Personal interest	2,500,000
Liu Zhao Cai	Share options (<i>Note</i>)	Personal interest	2,500,000
Xiang Song	Share options (<i>Note</i>)	Personal interest	2,500,000
Tong Yiu On	Share options (<i>Note</i>)	Personal interest	2,500,000

Note: The share options were granted under the share option scheme of the Company adopted on 9 January 2003.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as is known to the Directors, no other person other than a Director whose interests are disclosed above, had an interest or short position in the shares and

underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. LITIGATION

No member of the Group was engaged in any litigation or arbitration proceedings of material importance as at the Latest Practicable Date and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or likely to compete with the business of the Group.

7. MISCELLANEOUS

- (a) The company secretary and the qualified accountant of the Company is Mr. Tong Yiu On, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The principal share registrar and transfer office of the Company is Bank of Butterfield International (Cayman) Ltd. whose address is Butterfield House, Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.