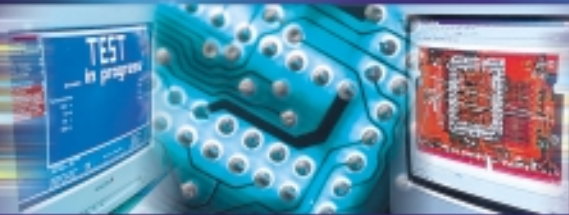




**SINOTRONICS HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*



**First Quarterly Report  
2001**

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This quarterly report, for which the directors (the “Directors”) of Sinotronics Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this quarterly report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this quarterly report misleading; and (3) all opinions expressed in this quarterly report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# **FIRST QUARTERLY REPORT**

## **For the three months ended 30th September, 2001**

### **HIGHLIGHTS**

- Turnover for the first quarter of the year was approximately RMB50,499,000.
- Net profit for the first quarter of the year was approximately RMB16,283,000.
- A double-digit growth of profit after taxation but before minority interests of approximately 19.88%.
- Shareholders' funds reached approximately RMB178,401,000.

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Sinotronics Holdings Limited (“Sinotronics” or the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30th September, 2001, together with the comparative figures for the corresponding period in 2000, as follows:

	<i>Note</i>	<b>For the three months ended 30th September,</b>	
		<b>2001</b>	<b>2000</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	50,499	38,952
Cost of sales		<u>(25,548)</u>	<u>(20,251)</u>
Gross profit		24,951	18,701
Selling and distribution expenses		(1,186)	(957)
General and administrative expenses		<u>(3,500)</u>	<u>(1,230)</u>
Profit from operations		20,265	16,514
Interest income		121	2
Finance costs		<u>(615)</u>	<u>(1,327)</u>
Profit before taxation		19,771	15,189
Taxation	3	<u>(1,562)</u>	<u>—</u>
Profit after taxation but before minority interests		18,209	15,189
Minority interests		<u>(1,926)</u>	<u>(1,540)</u>
Profit attributable to shareholders		<u><u>16,283</u></u>	<u><u>13,649</u></u>
Earnings per share – Basic	4	<u><u>RMB4.68 cents</u></u>	<u><u>RMB5.06 cents</u></u>

## 1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 29th September, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 17th May, 2001.

On 8th May, 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") which included exchange of shares. The Reorganisation involved companies under common control, and the Group, resulting from the Reorganisation, is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the unaudited consolidated results of the Group for the three months ended 30th September, 2000 have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the three months ended 30th September, 2000, rather than from the date on which the Reorganisation was completed.

The unaudited consolidated results have been prepared in accordance with Statement of Standard Accounting Practices issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

## 2. Turnover and revenue

Turnover and revenue consisted of:

	<b>2001</b> <i>RMB'000</i>	<b>2000</b> <i>RMB'000</i>
Turnover – Sales of printed circuit boards	50,499	38,952
Interest income	6	2
	<hr/>	<hr/>
Total revenue	<u>50,505</u>	<u>38,954</u>

### 3. Taxation

Taxation consisted of:

	<b>2001</b> RMB'000	<b>2000</b> RMB'000
Mainland China enterprise income tax	<u>1,562</u>	<u>—</u>

The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary, is a sino-foreign equity joint venture established in Fuqing, Mainland China, and is subject to Mainland China enterprise income tax at a rate of 15% on its profit after offsetting prior year's tax losses. However, it is exempted from Mainland China enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year's tax losses, followed by a 50% reduction for the following three years. During the three months ended 30th September, 2001, Fujian Fuqiang Delicate Circuit Plate Co., Ltd. provided Mainland China enterprise income tax at a rate of 7.5% (2000 – Nil).

### 4. Earnings per share

The calculation of basic earnings per share for the three months ended 30th September, 2001 was based on the unaudited consolidated profit attributable to shareholders of approximately RMB16,283,000 and on the 347,625,000 ordinary shares in issue during the three months ended 30th September, 2001.

The calculation of earnings per share for the three months ended 30th September, 2000 was based on the unaudited consolidated profit attributable to shareholders of approximately RMB13,649,000 and on the 270,000,000 ordinary shares in issue and issuable pursuant to a capitalisation issue in connection with the Company's share offering in May 2001.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30th September, 2001.

## RESERVES

There has been no transfer to or from reserves during the three months ended 30th September, 2001.

## DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30th September, 2001 (2000 – Nil).

## **BUSINESS REVIEW**

*(For the three months ended 30th September, 2001)*

### **Financial performance**

The Group recorded unaudited consolidated turnover of approximately RMB50,499,000, representing an increase of approximately 29.6% over that of the same period last year. Unaudited consolidated profit after taxation but before minority interests for the period increased by over 30% to approximately RMB19,771,000. The continuous satisfactory results were attributable to the Group's efforts in establishing a comprehensive business model for electronic manufacturing services ("EMS") which continued to add value to the manufacturing business of the Group.

### **Engineering support and service capacity**

The Group continued to participate actively in its customers' product design process commencing as early as the research and development stage to complement the customers' designs with its own experience and technologies in manufacturing. By shortening the lead time required for new products introduction, customers of the Group are able to gain a competitive edge in the market, and the Group is able to strengthen its earnings capability and its own competitive edge.

### **Production capacity and fabrication technologies**

The Group continued to pursue its high mix, quick-turn production strategy through the implementation of stringent production operation management, quality control and statistical process management. The Directors consider this as another essential factor contributing to the satisfactory results of the Group.

## **BUSINESS PROSPECTS**

The opening up of the PRC has boosted its economic development, especially in the electronics information industry. The industry has become the key industry of the state and has achieved surprising expansion. At present, numerous opportunities are available to the domestic electronics industry as the PRC is actively promoting information reform projects for traditional industries in order to remain competitive upon its entry into the World Trade Organisation (the "WTO"). Leveraging on this advantage, the Group achieved rapid corporate developments in the following aspects:

### **Speed up the establishment of the sales network**

The Group's business has been expanding rapidly. During the year ended 30th June, 2001, the Group established temporary offices in Wuhan, the Central PRC, and Xi'an, the Western PRC, to promote its service brandname and attained satisfactory progress. The Company anticipates that these two areas would generate higher returns for the Group in the coming financial year. With the PRC's prospective entry into the WTO, the existing sales network of the Group in the PRC is expected to help the Group to attain a leading market position in the EMS industry.

### **Expanding and promoting the capability and scope of the engineering support services of the Group**

The engineering design services contributed to the high returns for the Group in the past two years. In particular, the setting up of the engineering design centre last year enabled the Group to provide all round services in relation to series of ancillary functions such as system, schematic and layout designs in the electronic design process, paving the way for the Group to make efficient returns in the forthcoming stages.

### **Becoming an "one-stop shop" through continuous improvement of all its services**

In addition to engineering design and production services, the Group also aimed at providing customers with extensive services such as procurement, mounting and testing by way of co-operation and alliance, making the Group an "one-stop shop" for its customers.



## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES**

As at 30th September, 2001, the following Directors had or were deemed to have interests in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Personal interest	Number of ordinary shares held			Total	Percentage of interests
		Family interest	Corporate interest	Other interest		
Mr. Lin Wan Qaing	232,203,780	—	—	—	232,203,780	66.8%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 30th September, 2001.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2001, except for the interests of Mr. Lin Wan Qaing, a Director and a management shareholder of the Company as disclosed in the section head "Directors' and Chief Executives' Interests in Equity Securities" in this report, no person was deemed to have interests being 10% or more in the issued share capital of the Company as recorded in the register by the Company under Section 16(1) of the SDI Ordinance.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th September, 2001.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Board of Directors of the Company and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. No options have been granted since the adoption of the share option scheme.

As at 30th September, 2001, no option has been granted to any of the Directors under the share option scheme.

Save as disclosed above, at no time during the three months ended 30th September, 2001 was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or members of the Company's management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## **COMPETING INTERESTS**

None of the Directors or the management shareholder of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **SPONSORS' INTERESTS**

As updated and notified by the Company's sponsor, Deloitte & Touche Corporate Finance Limited ("DTCFL") and co-sponsor, JS Cresvale International Limited ("JSC"), neither DTCFL and JSC nor their directors, employees or associates had any interest in the share capital of the Company as at 30th September, 2001 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the sponsorship agreement dated 11th May, 2001 entered into between the Company and DTCFL, DTCFL has received and will receive fees for acting as the Company's sponsor for the remainder of the financial year of the Company ended 30th June, 2001 and two years thereafter or until the sponsorship agreement is terminated upon the terms and conditions set out therein.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants on 8th May, 2001. The audit committee comprise three independent non-executive Directors, namely Mr. Liu Zhao Cai, Mr. Lam Ming Yung and Mr. Pan Chang Chi. The duties of the audit committee include reviewing the Company's annual reports and quarterly reviews and providing advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 30th September, 2001.

By Order of the Board  
**Lin Wan Qaing**  
*Chairman*

Hong Kong, 13th November, 2001