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SINO INFOTECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION

Financial adviser



First Shanghai Capital Limited

The Board is pleased to announce that on 3 March 2003, the Company entered into a sale and purchase agreement with the Purchaser, whereby the Company agreed to sell and the Purchaser agreed to acquire 100 ordinary shares of HK\$1 each in Prod-Art, representing the entire issued share capital (exclusive of 300,000 fixed-rate participating shares of HK\$1 each) of Prod-Art, a wholly-owned subsidiary of the Company, at a consideration of HK\$19 million.

The transaction contemplated under the Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular of the Company containing, amongst other things, details of the transaction contemplated under the Agreement will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

- Date : 3 March 2003
- Vendor : The Company
- Purchaser : Ankson, and its ultimate beneficial owner, are independent from and not connected with the Directors, the chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or its subsidiaries or the respective associates (as defined in the Listing Rules) of any of them.
- Sale Shares : 100 ordinary shares of HK\$1 each in Prod-Art, representing the entire issued share capital (*Note*) (exclusive of 300,000 fixed-rate participating shares of HK\$1 each) of Prod-Art.
- Consideration : HK\$19,000,000, shall be paid in cash upon Completion.
- Basis of the Consideration : The Consideration was determined after arm's length negotiations between the parties to the Agreement with reference to the unaudited pro forma combined net assets of the Prod-Art Group, which was approximately HK\$22.7 million, based on the net liabilities of the Prod-Art Group of approximately HK\$297.5 million and adding the Shareholders' Loan of approximately HK\$320.2 million as at 31 December 2002.
- The Directors consider that the Consideration is fair and reasonable.
- Conditions precedent : Nil.
- Completion : Completion shall take place within 30 Business Days from the date of the Agreement, i.e. on or before 14 April 2003.
- Major warranties : (i) the Company warrants to the Purchaser that the variance in the unaudited pro forma combined net assets of the Prod-Art Group between 31 December 2002 and the date of Completion will not exceed HK\$3.5 million; and

- (ii) the Company warrants to the Purchaser that the Company agrees to waive all amounts due as shown in the current account of the Company as at the date of Completion from the Prod-Art Group to the Company. The Directors expect that the amounts due will not exceed HK\$320.2 million as at the date of Completion, and the aggregate amount of which is approximately HK\$317.6 million as at the date of this announcement.

Note: The share capital of Prod-Art is HK\$300,100 divided into 300,000 fixed-rate participating shares of HK\$1 each, and 100 ordinary shares of HK\$1 each. The rights and privileges attached to the fixed-rate participating shares and the ordinary shares are summarized as follows:

- (1) As regards income: the profit which Prod-Art may determine to distribute in respect of any financial year shall be distributed among the holders of the ordinary shares in proportion to the amounts paid up on the ordinary shares held by them respectively. The holders of the fixed-rate participating shares shall not be entitled to participate in such profit.
- (2) As regards capital: on a return of capital on liquidation or otherwise the assets of Prod-Art available for distribution among the members shall be applied firstly in paying to the holders of the ordinary shares the sum of HK\$1 million per share and secondly in repaying to the holders of the fixed-rate participating shares the amount paid up on such shares. The balance of the assets shall belong to and be distributed among the holders of the ordinary shares in proportion to the amounts paid up on the ordinary shares held by them respectively.
- (3) As regards voting: the holders of the ordinary shares shall have the right to receive notice of, to be present at or to exercise any voting rights in respect of any resolution proposed at, any general meeting by virtue of their holding of such shares. The holders of the fixed-rate participating shares shall have no such right.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Group is principally engaged in the design, manufacture and marketing of electronic consumer products and the provision of advertising services. For the two financial years ended 31 December 2001, the Group had recorded operating losses of approximately HK\$21.5 million and HK\$31.6 million, respectively, which were mainly contributed by the Prod-Art Group, due to severe price competition and sluggish demand for the Group's electronic consumer products. The Directors believe that the operating environment for the electronic consumer business will continue to be intensely competitive and hence difficult for the Group. As such, the Directors consider that the entering into of the Agreement represents an opportunity for the Group to realize its existing electronic consumer products business and will enhance its liquidity as well as allows more flexible resources allocation after Completion. In addition, after Completion, the Group can focus its management's resources on its remaining business (i.e. advertising business). The Directors will also consider seeking other investment opportunities. Based on the above, the Directors consider that the entering into of the Agreement is in the interests of the Company and its shareholders as a whole.

Immediately after Completion, the Group will cease its electronic consumer products business. Instead, the Group will be principally engaged in the provision of advertising services through the Caixun Group. The Caixun Group is one of the largest advertising corporations in the PRC in the financial publication and advertising sector and has a broad customer base (including Motorola, Legend, China Unicom and Shanghai-Volkswagen).

The Directors estimate that upon Completion, the Group's unaudited pro forma combined net tangible assets would be approximately HK\$70.3 million. As compared with that of approximately HK\$74.0 million as at 31 December 2002, the Directors consider that there would not have any material adverse change to the Group's combined net tangible assets or any material adverse impact on the Group's operation upon Completion.

APPLICATION OF PROCEEDS

The Directors at present intend to apply the net proceeds of approximately HK\$18.5 million from the disposal of the Sale Shares as general working capital of the Group. However, they will consider seeking other investment opportunities if such opportunities arise and may apply the net proceeds if necessary. Presently, the Group does not have specific investment plan.

INFORMATION ON THE PROD-ART GROUP

The Prod-Art Group is principally engaged in the design, manufacture and marketing of electronic consumer products.

For the year ended 31 December 2001, the unaudited pro forma combined losses before and after taxation and extraordinary items of the Prod-Art Group both amounted to approximately HK\$40.0 million. For the year ended 31 December 2002, the unaudited pro forma combined profits before and after taxation and extraordinary items of the Prod-Art Group both amounted to approximately HK\$8.9 million.

As at 31 December 2002, the unaudited pro forma combined net assets of the Prod-Art Group amounted to approximately HK\$22.7 million.

GENERAL INFORMATION

First Shanghai Capital Limited has been appointed as the financial adviser to the Company.

The transaction contemplated under the Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular of the Company containing, amongst other things, details of the transaction contemplated under the Agreement will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Agreement”	an agreement dated 3 March 2003 entered into between the Company as vendor and Ankson as purchaser in relation to the disposal of the Sale Shares
“Ankson” or “Purchaser”	Ankson Limited, a company incorporated on 10 April 2002 under the laws of the British Virgin Islands with limited liability, which and its ultimate beneficial owner are independent from and not connected with the Directors, the chief executive or substantial shareholder(s) (as defined in the Listing Rules) of the Company or its subsidiaries or the respective associates (as defined in the Listing Rules) of any of them
“Artwin Electronics”	Artwin Electronics Limited, a company incorporated under the Companies Ordinance with limited liability, a wholly-owned subsidiary of Prod-Art, which is principally engaged in the trading of electronic products in Hong Kong and the United States of America
“Board”	the board of the Directors
“Business Days”	any days (excluding Saturday) on which commercial banks are generally open for banking business in Hong Kong provided that each business day shall finish at 4:00 p.m.
“Caixun Group”	Superfort Management Corp., a company incorporated under the laws of the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company, and its subsidiaries
“Company”	Sino InfoTech Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion”	the completion of the sale and purchase of the Sale Shares
“Consideration”	HK\$19,000,000
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“National Infotech”	National Infotech Company Limited, a company incorporated under the Companies Ordinance with limited liability, a wholly-owned subsidiary of Prod-Art, which is dormant currently
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“Prod-Art”	Prod-Art Company Limited, a company incorporated under the Companies Ordinance with limited liability, a wholly-owned subsidiary of the Company prior to Completion
“Prod-Art Group”	Prod-Art and its subsidiaries, including Artwin Electronics, Shenzhen Prod-Art, Shenzhen GTP and National Infotech
“Sale Shares”	100 ordinary shares of HK\$1 each in Prod-Art, representing the entire issued share capital (exclusive of 300,000 fixed-rate participating shares of HK\$1 each) of Prod-Art
“Shareholders”	holders of the ordinary shares of par value of HK\$0.10 each in the issued share capital of the Company
“Shareholders’ Loan”	all amounts due from the Prod-Art Group to the Company, which are unsecured and the aggregate amount of which was approximately HK320.2 million as at 31 December 2002
“Shenzhen GTP”	Shenzhen GTP Telecom & Electronics Ltd., an equity joint venture company formed by Prod-Art with an independent third party under the laws of the PRC, which is dormant currently

“Shenzhen Prod-Art”

Shenzhen Prod-Art Electronics & Telecom Company Ltd., a cooperative joint venture company formed by Prod-Art with an independent third party under the laws of the PRC, which is principally engaged in the development, production and marketing of electronic products in the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By order of the Board of
Sino InfoTech Holdings Limited
Zhang Zhifang
Executive Director

Hong Kong, 10 March 2003

"Please also refer to the published version of this announcement in The Standard"