

Dear Shareholders,

On behalf of the Board of Directors of Sinotronics Holdings Limited ("Sinotronics" or the "Company"), I am pleased to present the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30th June 2004.

After successfully transferring its listing from the GEM Board to the Main Board in January 2003, the Group continued to achieve an encouraging operating performance for the year ended 30th June 2004. The Group recorded a solid growth in turnover of approximately RMB301,255,000, representing an increase of about 24.7% as compared to RMB241,543,000 last year. This increment of turnover was mainly due to the well-planned expansion of its production capacity through technological innovation of its existing production lines and introduction of advanced production equipment. The recent launch of our new Printed Circuit Board (PCB) products — thick copper PCBs and flexible PCBs, has also kick started a new stream of revenue for the Group.

In recent years, there has been an increasing number of Original Design Manufacturers (ODMs) who have adopted plans to outsource their new product development, production, and after-sales services to third-party EMS providers in their attempt to cut costs and to stay competitive. As a result of which, the EMS providers have been expanding their capacity to meet the growing demand and focusing more on technological innovation to improve their processes. This has in turn resulted in the increasing reliance of the ODMs on the EMS providers. Clearly, this global outsourcing trend has been pivotal to the rapid growth of the EMS industry.

Leveraging on the rapid growth of electronic market in the PRC as well as its extensive knowledge and experience in the EMS and PCB markets, the Group successfully delivered a satisfactory net profit attributable to shareholders of RMB81,212,000, representing an increase of about 10.7% as compared to RMB73,357,000 in the previous year. It has also improved its one-stop EMS solution throughout the production cycle by offering customized solutions for each client and putting greater emphasis in the design and manufacture of PCBs. This has given the Group an additional competitive edge over its peers in the industry.

For the specialty purpose of manufacturing thick copper PCBs and flexible PCBs, the Group acquired a plant located in Huizhou City, Guangdong Province, which is expected to commence operation in 2005. This will further increase its production capacity by another 40,000 to 50,000 sq.m. per month once it launch into full production.

A critical component of the Group's EMS service is to work together with its clients to provide customized solutions for their needs. For this purpose, the Group has employed 23 sales for marketing personnel in the manufacturing plant and 15 sales personnel in 7 offices to serve its key customers as well as potential customers. By building a closer rapport with its clients, the Group believes that it can further improve the communication with its existing and new customers and provide even better services for them.

Moving forward, the Group will continue to seek more opportunities to augment its product mix and to enhance its design capability and production technology. The Group will also strive to improve its one-stop EMS service, so as to attract more customers to rely on the Group's products and services. With the Group's strong financial position and production capability, we are confident of capturing more market share in the electronics industry and bring in reasonable returns to our shareholders.

In closing, I would like to express my greatest appreciation for the work and effort of all staff of the Group. I would also like to extend my sincere gratitude to all our shareholders and clients for their continuous support and confidence in the Group over the past years. Looking forward, we highly believe that our enthusiasm and dedication can contribute to the Group's sustainable growth.

Lin Wan Qaing

*Chairman*

Hong Kong

27th September 2004