

Chairman's Statement

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 30 June 2005.

During the year under review, the incessant growth in market demand for consumer electronics products stimulated the overall strong demand for electronics products parts and accessories. Riding on this favorable market environment, the Group continued to record a double-digit growth of 22.7% in turnover to approximately RMB369,787,000. Profit attributable to shareholders dipped slightly by 0.97% to RMB80,427,000, resulting in a basic earnings per share of RMB17 cents.

In addition to leveraging on the positive market developments, the Group's active expansion of operational scope and production facilities were also crucial to the Group's achievement of satisfactory results for the year. The Group successfully moved downstream into Printed Circuit Board (PCB) assembly services when it set up a new plant in Fuzhou Mawei Economic & Technical Development Zone. This vertical integration not only broadens the scope of services provided by the Group and reduces the production time, more importantly it provides a comprehensive, one-stop Electronics Manufacturing Services (EMS) to the Group's clients, which should further secure the Group's leading position within the industry.

In recent years, there has been robust global demand for portable electronics products, and these products are characterised by their smallness in size, lightness in weight, rapid processing speed, multiple functions and high reliability, therefore driving the demand for flexible PCBs. The market expects that the demand for flexible PCBs will grow at a compound annual rate of 10.2% between year 2002 and 2007, and these products will account for 14.5% of the entire PCB industry by year 2007, leading the upward growth of the entire industry. In view of this, the Group acquired a new manufacturing plant in Huizhou City, Guangdong Province in late 2004, to specialize in the production of flexible PCBs. The production lines commenced full-scale operation in January 2005 to produce high quality flexible PCBs at a competitive price for the global electronics products manufacturers. Besides, given that flexible PCBs yield higher profits than conventional PCBs, we will actively expand this scope of business to deliver lucrative returns for the Group.

According to statistics, automobile electronics production in China will maintain a rapid growth of over 30% till year 2008, indicating an enormous market opportunity for the PCB industry. This favorable environment is further strengthened by the surge in global renowned automobile corporations coming to China. To seize this market opportunity, the Group plans to set up thick copper PCBs production lines in the Huizhou plant in early 2007 with a monthly production rate of 20,000 square metres for the production of thick copper PCBs used in automobiles.

Moving forward, the market predicts that the Chinese PCB industry will continue to maintain a rapid growth, with BPA Consulting Ltd estimating that PCB production in China will grow at a compounded annual rate of 17.4% between year 2002 and 2007, whilst PCB production in other countries will record only a low- to mid-level single-digit growth. Currently, China ranks No. 2 in the

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world in terms of PCB production volume. In view of the development trend in China, coupled with low production costs and high domestic demand in China, China is well positioned to replace Japan to become the No. 1 PCB production country in the world.

The fast growing electronics communication products and consumer electronics products markets provide an enormous and stable platform for the growth of the PCB industry. To cater to this rapid growth, the Group plans to increase more production lines in its existing three plants to satisfy the growing market demand. In addition, the Group will actively develop new innovative PCB products to cater to the dynamic market needs. On the other hand, the Group will continue to look for acquisition or joint venture opportunities for vertical or horizontal integration and also to build a secure long-term strategic business partnership. Building on the foundation of extensive experience within the PCB industry and a well-established market position, together with the well-planned development strategies, the Group strongly believes that it will record a sustained growth in its business in the coming years.

Finally, I would like to express my gratitude to the board of directors, management and staff for their unwavering dedication towards the Group; customers, suppliers and business partners for their numerous years of cooperation and trust; and lastly to the shareholders and investors of the Group for their support. I will continue to put in all efforts to lead the management and staff in driving the development of our business, so as to enhance shareholders' value and deliver even better results.

Lin Wan Qaing

Chairman

Hong Kong, 18 October 2005