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SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

CONNECTED TRANSACTION IN RELATION TO PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES

DEED OF VARIATION

The Board announces that on 14 November 2014 (after trading hours), the Company and the Noteholder entered into the Deed of Variation, pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the outstanding Convertible Notes in the principal amount of HK\$302,400,000 will be extended from 15 November 2014 to 31 December 2016; and (ii) the Original Conversion Price of HK\$0.12 per Share will be adjusted to the Conversion Price of HK\$0.035 per Share.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Notes shall remain unchanged.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of the Terms will be submitted to the Stock Exchange by the Company in due course.

* For identification purpose only

Mr. Li is interested in approximately 14.57% of the issued share capital of the Company and a substantial Shareholder as at the date of this announcement. As Mr. Li is a connected person of the Company, the entering into of the Deed of Variation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Deed of Variation and transactions contemplated thereunder are subject to reporting, announcement and the independent Shareholders' approval requirements pursuant to the Listing Rules.

The SGM will be convened by the Company to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder by way of poll. Mr. Li together with his associates will abstain from voting in respect of the resolution(s) approving the Deed of Variation and the transactions contemplated thereunder at the SGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendations to the Independent Shareholders on the Deed of Variation and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed by the Company in due course to advise and give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder.

GENERAL

A circular containing, among other matters, (i) details of the Deed of Variation; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM, will be despatched to the Shareholders on or before 5 December 2014.

BACKGROUND

Reference is made to the Circular in relation to, *inter alia*, the issue of the Convertible Notes. Pursuant to the S&P Agreement, on 16 November 2009, the Company issued the Convertible Notes in the total principal amount of HK\$950,400,000 for partial settlement of the consideration for the acquisition of CLI. As at the date of this announcement, Convertible Notes in an aggregate principal amount of HK\$302,400,000, convertible into Shares at the Original Conversion Price of HK\$0.12 per Share, are outstanding and held by the Noteholder. The outstanding Convertible Notes are unsecured and shall mature on 15 November 2014.

In view of the financial conditions of the Company, after arm's length negotiations, on 14 November 2014 (after trading hours), the Company and the Noteholder entered into the Deed of Variation in respect of the proposed alternation of certain terms and conditions of the Convertible Notes. Set out below are the principal terms of the Deed of Variation.

DEED OF VARIATION

Date: 14 November 2014 (after trading hours)

Parties: the Company
the Noteholder

Alteration of Terms

Pursuant to the Deed of Variation, it is agreed that (i) the maturity date of the outstanding Convertible Notes will be extended from 15 November 2014 to 31 December 2016; and (ii) the Original Conversion Price of HK\$0.12 per Share will be adjusted to the Conversion Price of HK\$0.035 per Share.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Notes shall remain unchanged.

The Alteration of Terms was arrived at after arm's length negotiations between the Company and the Noteholder with reference to, among others, (i) existing financial condition and resources of the Group; (ii) the prevailing market price of the Shares; and (iii) the net assets value per Share as at 30 June 2014.

Conversion Shares

Assuming full conversion of the outstanding Convertible Notes in the principal amount of HK\$302,400,000 at the Conversion Price of HK\$0.035, 8,640,000,000 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 72.20% of issued share capital of the Company as at the date of the Deed of Variation; and
- (ii) approximately 41.93 % issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming none of the outstanding options of the Company is exercised.

Conversion Price

The Conversion Price of HK\$0.035 represents:

- (i) a discount of approximately 25.53% to the closing price of the Shares of HK\$0.0470 per Share as quoted on the Stock Exchange on 14 November 2014, being the date of the Deed of Variation;
- (ii) a discount of approximately 24.57% to the average closing price of approximately HK\$0.0464 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Deed of Variation;
- (iii) a discount of approximately 25.37% to the average closing price of approximately HK\$0.0469 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Deed of Variation; and
- (iv) a premium of approximately 644.68% to the unaudited net assets value attributable to the equity Shareholders of approximately HK\$0.0047 per Share as at 30 June 2014 based on the unaudited net assets value attributable to the equity Shareholders of approximately HK\$55,979,000 as at 30 June 2014 and 11,966,698,582 Shares in issue as at the date of the Deed of Variation.

Conditions Precedent

The Alteration of Terms shall become effective upon the fulfillment of all the following conditions precedent:

- (a) the passing of ordinary resolution(s) by the Independent Shareholders at the SGM approving (i) the Deed of Variation and the transactions contemplated thereunder, (ii) upon the exercise of the conversion rights attaching to the outstanding Convertible Notes, the allotment and issue of the Conversion Shares in accordance with the conditions of the Convertible Notes as varied by the Deed of Variation;
- (b) the approval from Noteholder of more than 50% of the aggregate principal amount of the outstanding Convertible Notes approving the Alteration of Terms having been obtained by the Company;
- (c) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued upon an exercise of the conversion rights attaching to the outstanding Convertible Notes in accordance with the conditions as varied by the Deed of Variation; and
- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms as set out in the Deed of Variation.

The Alteration of Terms shall take effect on the date on which the Company notifies the Noteholder in writing the fulfillment of the conditions precedent as set out above, which date shall not be more than five business days after the fulfillment of the condition precedent last in time to be fulfilled.

None of the conditions precedent can be waived. If any of the conditions precedent above has not been fulfilled on or before 31 March 2015 (or such other date as may be agreed by the parties to the Deed of Variation in writing) the Deed of Variation shall lapse and be of no further effect and none of the parties to this Deed of Variation will have any claim against or liability to the other parties in respect of the Deed of Variation save for any antecedent breaches thereof.

REASONS FOR ENTERING INTO THE DEED OF VARIATION

The outstanding Convertibles Notes in an aggregate principal amount of HK\$302,400,000 will mature on 15 November 2014.

As mentioned in the annual report of the Company for the year ended 31 December 2013, the Group incurred a loss of approximately HK\$24.7 million for the year ended 31 December 2013 and did not forecast that it could fully redeem the outstanding Convertible Notes by the maturity date (i.e. 15 November 2014). The Noteholder indicated that he would not request the Company to redeem the outstanding Convertible Notes prior to 31 December 2014 causing the Company to be insolvent. On this basis, the consolidated financial statements for the period under review had been prepared on a going concern basis.

The financial performance and the financial position of the Group did not record material change and for the six months ended 30 June 2014, the Group incurred a loss of approximately HK\$16.0 million and did not forecast that it could fully redeem the outstanding Convertible Notes by the maturity date (i.e. 15 November 2014). On the basis of the Noteholder having indicated that he would not request the Company to redeem the outstanding Convertible Notes prior to 31 December 2014 causing the Company to be insolvent, the consolidated financial statements for the six months ended 30 June 2014 had been prepared on a going concern basis.

In this respect, the Company had engaged Asian Capital (Corporate Finance) Limited to negotiate with the Noteholder, and at the same time, the Company has also considered fund raising possibility.

In view of the recent financial performance and the financial position of the Group, the Company had not been able to secure any funds on terms acceptable to the Company to redeem the outstanding Convertible Notes. Although there are imputed interest expenses on the Convertible Notes charged against the Company's profit and loss accounts, there is no cash flow implication as the Convertible Notes are zero coupon and do not carry any interest charges.

As at 30 June 2014, the Group's total assets of approximately HK\$426.1 million and majority of which comprised inventories of approximately HK\$117.8 million and trade and bills receivables of approximately HK\$201.2 million. As at 30 June 2014, the Group had bank balances and cash of approximately HK\$55.8 million. The Board is of the view that these assets are operational in nature and should not be liquidated for the purpose of funding the redemption of the outstanding Convertible Notes.

The Deed of Variation and the Alteration of Terms will relieve the pressure on the Company to seek urgent funding to redeem the outstanding Convertible Notes.

Furthermore, although the Conversion Price is lower than the Original Conversion Price and the prevailing market price of the Shares, it represents a significant premium to the net assets value per Share. The Conversion Price will give incentive to the Noteholder to consider the option of converting part or all of the outstanding Convertible Notes, subject to compliance with the relevant rules and regulations, which in turn will significantly improve the financial position of the Group by capitalising liabilities.

Having considered the above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING

No application will be made by the Company for the listing of the outstanding Convertible Notes. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the outstanding Convertible Notes pursuant to the conditions of the Convertible Notes as amended by the Deed of Variation.

MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Company will seek the grant of a specific mandate from the Independent Shareholders at the SGM to cater for the allotment and issue of the Conversion Shares upon conversion of the outstanding Convertible Notes pursuant to the conditions of the Convertible Notes as amended by the Deed of Variation.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no other changes in the issued share capital of the Company from the date of this announcement up to the full conversion of the outstanding Convertible Notes by the Noteholder at HK\$0.035 per Share, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the outstanding Convertible Notes at HK\$0.035 per Share are illustrated as follows:

Name	As at the date of this announcement		Immediately upon full conversion of the outstanding Convertible Notes at Conversion Price (Note 1)	
	<i>No. of Shares</i>	<i>Approximately %</i>	<i>No. of Shares</i>	<i>Approximately %</i>
Mr. Li (or the Noteholder)	1,742,985,823	14.57	10,382,985,823	50.39
Smart Number Investments Limited (Note 2)	612,400,000	5.12	612,400,000	2.97
Public Shareholders	9,611,312,759	80.31	9,611,312,759	46.64
Total:	<u>11,966,698,582</u>	<u>100.00</u>	<u>20,606,698,582</u>	<u>100.00</u>

Note:

- It is for illustration purpose only as Mr. Li and parties acting in concert with him or successors of the holder(s) of the outstanding Convertible Notes individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the term of the S&P Agreement.
- Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,200,000 Share owned by Smart Number Investments Limited which is a company incorporated in the BVI. The entire issued share capital of Smart Number Investments Limited is beneficial owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Chun On (the son of Mr. Lam Yat Keung).

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of the Terms will be submitted to the Stock Exchange by the Company in due course.

Mr. Li is interested in approximately 14.57% of the issued share capital of the Company and a substantial Shareholder as at the date of this announcement. As Mr. Li is a connected person of the Company, the entering into of the Deed of Variation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Deed of Variation and transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

The SGM will be convened by the Company to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder by way of poll. Mr. Li together with his associates will abstain from voting in respect of the resolution(s) approving the Deed of Variation and the transactions contemplated thereunder at the SGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendations to the Independent Shareholders on the Deed of Variation and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed by the Company in due course to advise and give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder.

GENERAL

A circular containing, among other matters, (i) details of the Deed of Variation; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM, will be despatched to the Shareholders on or before 5 December 2014.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Alteration of Terms”	the proposed alteration of certain terms and conditions of the outstanding Convertible Notes pursuant to terms of the Deed of Variation
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Circular”	the circular of the Company dated 19 October 2009 in relation to the S&P Agreement
“CLI”	CITIC Logistics (International) Company Limited, a company incorporated in Hong Kong with limited liability
“Company”	Sino-Tech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	being HK\$0.035 per Share
“Conversion Share(s)”	8,640,000,000 new Shares to be allotted and issued following the exercise by the holder(s) of the outstanding Convertible Notes of his/her/their rights at the Conversion Price
“Convertible Notes”	the zero coupon convertible notes in the aggregate principal amount of HK\$950,400,000 issued by the Company on 16 November 2009 pursuant to the terms of the S&P Agreement
“Deed of Variation”	the deed of variation dated 14 November 2014 entered into between the Company and the Noteholder in relation to the Alteration of Terms
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	a Board committee comprising all independent non-executive Directors established to make recommendations to the Independent Shareholders in relation to the Deed of Variation and the transactions contemplated thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to give advice and make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholders excluding Mr. Li and his associates
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Weimin, who is interested in approximately 14.57% of the issued share capital of the Company and the Noteholder as at the date of this announcement
“Noteholder”	Mr. Li, the holder of the outstanding Convertible Notes
“Original Conversion Price”	being HK\$0.12 per Share
“S&P Agreement”	the sale and purchase agreement dated 13 September 2009 entered into among the Company, Top Victory Industries Limited (which was a wholly-owned subsidiary of the Company and the purchaser) and Mr. Li (as the vendor) in relation to acquisition of the entire issued share capital of CLI
“SGM”	the special general meeting of the Company to be convened and, if thought fit, approve, among others, the Deed of Variation and the transactions contemplated thereunder

“Share(s)”	existing ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
Sino-Tech International Holdings Limited
Lam Yat Keung
President

Hong Kong, 14 November 2014

As at the date of this announcement, the Board comprises Mr. Lam Yat Keung (President), Mr. Huang Hanshui and Mr. Wang Zhaofeng as executive Directors; and Mr. Ho Chi Fai, Ms. Liu Yanfang, and Professor Ma Hongwei as independent non-executive Directors.