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## **Smarteck Digital Manufacturing Holdings Limited**

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

### **ANNOUNCEMENT**

#### **INFORMATION ON CASHFLOW POSITION OF THE GROUP/ LEGAL CASE OF A SUBSIDIARY/ RESIGNATION OF NON-EXECUTIVE DIRECTOR/ CLARIFICATION OF AN ARTICLE IN NEWSPAPER**

Banking facilities of an aggregate amount of HK\$8,000,000 with two bankers of the Group are being withheld by the two bankers and several bank accounts of the Group of an aggregate amount of approximately HK\$400,000 are being frozen by certain bankers of the Group.

A writ of summons issued by a supplier against SML was received on 8th March 2002. SML is now seeking legal advice on the matter.

Mr. Murai resigned as a non-executive director of the Company with effect from 8th March 2002.

The Board wishes to clarify an article in newspaper in relation to the alleged disposal of shares of the Company by Diamonds and Pearls Limited.

At the request of the Company, trading in shares of the Company on the Stock Exchange was suspended effective from 10:42 a.m. on 8th March, 2002 and will remain suspended until the release of further announcement on the clarification of the working capital and financial position of the Company.

The board of directors (the “Board”) of Smartech Digital Manufacturing Holdings Limited (the “Company”) wishes to make this announcement pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

Further to the announcement of the Company dated 1st March 2002 which mentioned that the cashflow position of the Company and its subsidiary (collectively referred to as the “Group”) has become tight, the Board announces that out of an aggregate amount of HK\$8 million banking facilities granted by two bankers of the Group, an aggregate amount of approximately HK\$4 million which became due and payable had been in default. After verbal notices given by these two bankers to the Company on 7th March 2002, the balance of those banking facilities totalling approximately HK\$4 million has been withheld by the two bankers due to the default payments. However, the withholding of the balance of the facilities due to the default payments is at the discretion of the bankers and is not stipulated in the facilities agreements. Besides, due to the default payments as aforesaid, the cash balances in the bank accounts with one bank in Hong Kong (which provided one of the abovementioned facilities) and three banks in the PRC (although it is not stipulated in the facilities agreement that other banks have the right to freeze the operation in the banks accounts if default in payment, it was advised by these banks that default in payments of one of the abovementioned facilities resulted in frozen of the banks accounts held with them) of an aggregate amount of approximately HK\$400,000 have been frozen. The default in payment of one of the abovementioned banking facilities resulted in a litigation made by The Bank of East Asia, Limited Guangzhou Branch with the claims of HK\$2,400,000 has been disclosed in the announcement of the Company dated 28th February 2002, and the Board is not aware of any action taken by the other bankers as at the date of this announcement. The Board considers that the withholding of banking facilities and freezing of banks accounts will bring a material adverse impact to the business and financial position of the Group. The Board is now seeking financial support such as finding potential investors in Hong Kong and in other countries and further announcement will be made as when necessary. As at the date of this announcement, preliminary negotiations have been made with the potential investors but no agreement or commitment has been entered.

The Board further announces that a writ of summons issued by a supplier against Smartech Manufacturing Limited (“SML”), a wholly-owned subsidiary of the Company, was received on 8th March 2002. According to the writ of summons, the alleged debt claimed by the supplier was of approximately HK\$350,000 for goods sold and delivered. SML is now seeking legal advice on the matter. As at the date of this announcement, outstanding claims under litigation against the Group are in an aggregate amount of approximately HK\$12,000,000, of which approximately HK\$2,800,000 judgments have been received.

The Board is reviewing the current working capital and financial position of the Group. Further announcement will be made on the current working capital and financial position of the Group as soon as practicable.

In addition, the Board announces that Mr. Shiro Murai (“Mr. Murai”) resigned as a non-executive director of the Company with effect from 8th March 2002.

The Board would like to take this opportunity to thank Mr. Murai for his past contributions to the Company during his tenure of office.

In relation to an article published on 9th March 2002 in a newspaper regarding the alleged disposal of shares of the Company by Diamonds and Pearls Limited (which is owned as to 84 per cent. by Mr. Law Man Ming and as to 16 per cent. by Mr. Tang Kwok Yuen, the chairman of the Company), Diamonds and Pearls Limited informed the Board that no disposal of shares of the Company has been made by Diamonds and Pearls Limited up to the date of this announcement. Diamonds and Pearls Limited is a substantial shareholder of the Company and owns 41.61% of the issued share capital of the Company.

At the request of the Company, trading in shares of the Company on the Stock Exchange was suspended effective from 10:42 a.m. on 8th March, 2002 and will remain suspended until the release of further announcement on the clarification of the working capital and financial position of the Group.

By Order of the Board  
**Smartech Digital Manufacturing Holdings Limited**  
**Tang Kwok Yuen**  
*Chairman*

Hong Kong, 11th March 2002

*This announcement, for which the Directors, other than Mr. Law who is not contactable, collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the day of its posting.*