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## **Smarteck Digital Manufacturing Holdings Limited**

**滙科數碼製造控股有限公司**

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

### **DELAY IN THE PUBLICATION OF THE ANNUAL RESULTS AND DESPATCH OF THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2001**

Further to the announcement of the Company dated 26th March 2002, the Company wishes to inform shareholders of the Company that the publication of the Annual Results and the despatch of the Annual Report by the Company will be postponed to a date on or before 30th April 2002 and 7th May 2002 respectively. The foregoing constitutes a breach of the requirements set out in paragraph 18.49 and 18.03 of the GEM Listing Rules respectively. In this regard, the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company.

Further to the announcement of the Company dated 26th March 2002, the Company wishes to inform shareholders of the Company that there will be a delay in the publication of the preliminary results of the Company together with its subsidiaries (the "Group") for the year ended 31st December 2001 (the "Annual Results") due to the fact that the Company's auditors need to obtain further information from the Company in respect of certain investment projects undertaken by the Group which are essential for the assessment of the provision (if any) in order to complete the audit.

The board of directors (the "Board") of the Company wishes to announce the unaudited consolidated results for the Group for the year ended 31st December 2001 together with the audited comparative figures for the year ended 31st December 2000 are as follows:

	<i>Notes</i>	<b>2001</b> <b>Unaudited</b> <i>HK\$'000</i>	<b>2000</b> <b>Audited</b> <i>HK\$'000</i>
Turnover	(2)	103,330	111,472
(Loss)/profit from ordinary activities before taxation		(63,612)	13,535
Taxation	(3)	<u>210</u>	<u>(3,413)</u>
(Loss)/profit from ordinary activities after taxation		(63,402)	10,122
Minority interests		<u>8</u>	<u>2</u>
(Loss)/profit attributable to shareholders		<u>(63,394)</u>	<u>10,124</u>
(Loss)/earnings per Share (cents)			
Basic	(4)	<u>(1.40)</u>	<u>0.28</u>
Diluted	(4)	<u>N/A</u>	<u>N/A</u>

**(1) Group reorganisation and basis of preparation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12th November 1999 under the Companies Law of the Cayman Islands. The Company's shares ("Share(s)") have been listed on GEM of the Stock Exchange since 18th May 2000. The reorganization of the Group ("Group Reorganisation") prior to the listing on GEM was completed on 4th May 2000. The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated results of the Group for the year ended 31st December 2000 have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group.

All intra-group transactions have been properly eliminated for the year ended 31st December 2001 and for the year ended 31st December 2000.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

**(2) Turnover**

Turnover represents the net invoiced value of goods sold, less sales returns and discounts.

(3) **Tax**

	<b>2001</b> <b>Unaudited</b> <i>HK\$'000</i>	<b>2000</b> <b>Audited</b> <i>HK\$'000</i>
Provision for tax in respect of profits for the year:		
Hong Kong	(498)	2,640
Elsewhere	288	523
Deferred tax	<u>—</u>	<u>250</u>
	<u>(210)</u>	<u>3,413</u>

No provision for Hong Kong profits tax has been made for the year ended 31st December 2001 as the Group did not generate any assessable profit arising in Hong Kong during that year. For the year ended 31st December 2000, the provision of Hong Kong profits tax has been calculated at the rate of 16 per cent. Provision for the tax of profits of subsidiaries operating elsewhere has been calculated at the rates applicable in the respective jurisdictions for the year ended 31st December 2001 and for the year ended 31st December 2000 (the “Relevant Years”), based on existing tax law, interpretations and practices in respect thereof.

In accordance with the applicable enterprise income tax law of the PRC, the subsidiary established in the PRC is exempt from income tax for the first two profitable years of operation and is entitled to a 50 per cent relief on the income tax that would otherwise be charged for the succeeding three years. The assessable income of the subsidiary for such income tax purpose and the first profitable year of operation were determined based on its statutory financial statements prepared in accordance with accounting principles generally accepted in the PRC. For the current year, no provision for PRC income tax has been made in the accounts, as it was the first profitable year of operation of the PRC subsidiary.

There was no significant unprovided deferred tax for the Relevant Years.

(4) **(Loss) / earnings per Share**

The calculation of basic loss (2000: earnings) per Share for the year ended 31st December 2001 was based on the Group’s loss for the year ended 31st December 2001 of HK\$63,394,000 (2000: profit HK\$10,124,000) and the weighted average of 4,535,068,493 (2000: 3,622,950,820) Shares had been in issue during the year. Diluted loss/earnings per Share in respect of both the two years ended 31st December 2001 and 2000 have not been calculated as no diluting events existed during the Relevant Years.

The substantial loss incurred in the fourth quarter of year 2001 was mainly due to the adverse effect on the business of the Group brought from the alleged departure of Mr. Law Man Ming (“Mr. Law”), the executive director of the Company, and the “911” incident in the United States as disclosed in the announcement of the Company dated 11th February 2002. Besides, written off

of assets of Sky Datamann (Hong Kong) Limited, a wholly-owned subsidiary of the Company which has ceased its business as disclosed in the announcement of the Company dated 2nd January 2002, also contributed to the loss in the fourth quarter of year 2001.

The Board wishes to state that the audited results may or may not be materially different from the unaudited results. **Accordingly, investors/shareholders are reminded to exercise caution in interpreting the unaudited results.** The shares of the Company are currently under suspension of trading.

It is expected that the Annual Results will be announced on or before 30th April 2002 and the annual report of the Company for the year ended 31st December 2001 (the “Annual Report”) will be sent to the shareholders of the Company on or before 7th May 2002. The delay in publication of the Annual Results and the despatch of the Annual Report will not breach the provisions of the Articles of Association of the Company and the Hong Kong Companies Ordinance.

Pursuant to paragraph 18.49 and 18.03 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Listing Rules”), the Company should publish the Annual Results and despatch the Annual Report not later than three months after the financial year end. The delay in the publication of the Annual Results and the despatch of the Annual Report by the Company constitutes a breach of such requirements. In this regard, the Stock Exchange has indicated that it reserves the rights to take appropriate action against the Company.

Mr. Lee Kwan Hung, Eddie, a former independent non-executive director of the Company resigned on 26th March 2002 due to his disagreement on the delay since such delay constitutes a breach of the relevant GEM Listing Rules.

Diamonds and Pearls Limited (which is owned as to 84 per cent. by Mr. Law and as to 16 per cent. by Mr. Tang Kwok Yuen (“Mr. Tang”), the chairman of the Company) (“Diamonds and Pearls”), the controlling shareholder of the Company which owns 41.61 per cent. of the issued share capital of the Company, informed the Board that Diamonds and Pearls is currently in an advanced stage of discussion with a potential investor and a placing agent in relation to the disposal of its shares of the Company (the “Proposed Transaction”). Terms and conditions of the Proposed Transaction have yet to be finalized and no agreements have been concluded at this stage. If the

Proposed Transaction proceeds, there may be a possible change in the single largest shareholder of the Company. Diamonds and Pearls has indicated that the Proposed Transaction will not result in a general offer pursuant to Rule 26 of The Hong Kong Code on Takeovers and Mergers. The Board is aware that the Proposed Transaction by the potential investors to the Company will be subject to fulfilling the requirement of the GEM Listing Rules.

Under Rule 5.51 of the GEM Listing Rules, directors of the Company should not deal in any shares of the Company during the period commencing one month immediately preceding the earlier of: (i) the date of the board meeting for the approval of the Company's result for the year, half-yearly or quarter-year period; and (ii) the deadline for the Company to publish announcement of its results for the year, half-year or quarter-year period or any period of delay in the publication of a result announcement. Accordingly, if Diamonds and Pearls is to effect the Proposed Transaction during the period concerned, Mr. Law and Mr. Tang, as the shareholders of Diamonds and Pearls and the directors of the Company, will be in breach of Rules 5.51 of the GEM Listing Rules. In this regard, Diamonds and Pearls has applied to the Stock Exchange for a waiver from compliance requirement set out in Rule 5.51 of the GEM Listing Rules (the "Waiver"). The Stock Exchange has indicated that they may or may not grant the Waiver. The directors of the Company, other than Mr. Law who is not contactable, confirmed that they have not dealt in any securities of the Company since 26th February 2002 up to the date of this announcement and have undertaken to the Stock Exchange that they will not deal in the securities of the Company until the audited consolidated results for the year ended 31st December 2001 are announced except Mr. Law and Mr. Tang who will seek the Waiver in relation to the Proposed Transaction. Further announcement will be made in due course.

In addition, as disclosed in the announcements of the Company dated 11th February 2002, 22nd February 2002 and 5th March 2002 respectively, the Board wishes to state that the Company still has difficulty to reach Mr. Law since mid of January 2002.

**Investors/shareholders should note that the Proposed Transaction may or may not proceed.** The shares of the Company are currently under suspension of trading pending the release of further announcement on the clarification of the working capital and financial position of the Company pursuant to the announcement of the Company dated 11th March 2002.

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

Hong Kong, 28th 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.*

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