



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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of SMARTECH DIGITAL MANUFACTURING HOLDINGS LIMITED, other than Mr. Law Man Ming who is not contactable, collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to SMARTECH DIGITAL MANUFACTURING HOLDINGS LIMITED. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.



Smartech Digital Manufacturing Holdings Limited

滙科數碼製造控股有限公司

(incorporated in the Cayman Islands with limited liability)

FINAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

HIGHLIGHTS

Turnover for the year ended 31 December 2001 amounted to HK\$102,089,000, representing a decrease of 8% over the turnover of approximately HK\$111,472,000 for the year ended 31 December 2000.

Loss attributable to shareholders for the year ended 31 December 2001 amounted to approximately HK\$77,620,000 compared to profit attributable to shareholders of HK\$10,124,000 for the year ended 31 December 2000.

The Board do not recommend the payment of dividend for the year ended 31 December 2001.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Smartech Digital Manufacturing Holdings Limited (the "Company"), I am pleased to present to the shareholders the annual results of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2001.

BUSINESS REVIEW

Overall

The turnover of the Group for the year ended 31 December 2001 amounted to HK\$102,089,000, representing a decrease of 8% over the turnover of approximately HK\$111,472,000 for the year ended 31 December 2000. The decrease was mainly due to dropping in sales orders from customers and receiving price pressure from the market owing to the deteriorating economic conditions.

The net loss attributable to shareholders for the year ended amounted to approximately HK\$77,620,000 compared to net profit attributable to shareholders of HK\$10,124,000 for the year ended 31 December 2000. The results of the Group was largely affected by the net loss of HK\$34,876,000 incurred by the data centre business and the Group has made various provisions totalling HK\$28,171,000 in 2001.

Tooling and Plastic Injection Business

The business during the fourth quarter of year 2001 was inevitable affected by the incidents of “911” in the United States, one of our major markets. In order to avoid the reliance on a few markets and to capture the opportunities arising after China joining the WTO, the Group has put tremendous effort in developing the China market. The management is confident on the business growth in the near future, in particular for the China market, since high precision molding will be in great demand as a result of higher quality of products being required from the Chinese manufacturers in order to face the competition from the foreign manufacturers. The sales order in China market for molding business has been increasing gradually during the year.

After China joining the WTO, domestic/export sales ratio restriction will be released. The Group has planned to make application from the relevant authorities for the approval of the release of domestic/export sales ratio restriction. It is believed that significant growth will be achieved following the development of China market.

During the year, the Group has started contact with several reputable corporations in establishing business relationship. Some of the potential customers based in North America planned to lower their production costs by sourcing quality supplies in China and to develop China market and the Group was identified as one of their potential suppliers with quality in China. The Group’s operations in Canada has already demonstrated its advanced technology and the production capacity to these potential customers and discussions on potential orders has been begun. The Group is confident in securing sales orders from these potential customers, the Group’s Dongguan production plant cooperates closely with its operations in Canada and after sales services workshop has the ability to provide around the clock service and efficient after sales services to these potential customers in North America.

Data Centre Business

As disclosed in the announcement of the Company dated 2 January 2002, the Group has ceased its data centre business due to the installation of unauthorized building works which are subject to be ordered for removal by the relevant authority. As substantial investment costs were expected to be incurred to rectify the said unauthorized building works in order to enable the Group to continue the business of the data centre, the Group finally decided to abandon the data centre business in December 2001 in order to minimize the financial impact to the Group.

Professional Injection Mold System

The “Professional Injection Mold System” programme jointly developed by the Department of Mechanical Engineering of the University of Hong Kong and the Group with the support of the Hong Kong Innovation and Technology Fund is on schedule. Several exhibitions and seminars have been arranged to introduce such system to industrialists in Hong Kong and China during the year. The trial usage of the first version is expected to be launched in the second quarter of year 2002.

PROSPECTS

For the North American market, the overall market sentiment is less optimistic in particular following the incidents in the United States in September 2001. In this connection, the Group is now continuing to diversify its markets, in particular China, and control expenses so as to maintain its competitiveness. Following the successful establishment of business relationship with several new customers in the northern part of China in the last quarter of 2001, the Group will continue to place more effort in expanding its market share in China.

Looking forward, the management will ensure that every effort is made to maintain its leading status and competitiveness in the manufacturing of mold products and expand its customer base to bring significant growth prospects to the Group.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all supportive customers of the Group and to all employees for their continuing dedication and efforts throughout 2001.

By order of the Board
Tang Kwok Yuen
Chairman

Hong Kong, 30 April 2002

FINANCIAL RESULTS

The Board of the Company announces the audited consolidated results of the Group for the year ended 31 December 2001 together with the comparative audited figures for the corresponding year ended 31 December 2000 as follows:

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> <i>(Restated*)</i>
TURNOVER			
Continuing operations	(2)	102,089	111,472
Cost of sales		<u>(75,666)</u>	<u>(65,577)</u>
Gross profit		26,423	45,895
Other revenue		5,447	4,948
Distribution costs		(2,851)	(2,290)
Administrative expenses		(50,157)	(28,149)
Other operating expenses	(3)	(31,990)	(4,733)
Loss on abandonment of a discontinued operation, net	(4)	<u>(23,297)</u>	<u>—</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES			
Continuing operations		(41,549)	15,671
Discontinued operation		<u>(34,876)</u>	<u>—</u>
Finance costs	(5)	<u>(76,425)</u>	<u>15,671</u>
		<u>(1,567)</u>	<u>(2,136)</u>
PROFIT/(LOSS) BEFORE TAX		(77,992)	13,535
Tax	(6)	<u>364</u>	<u>(3,413)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS			
		(77,628)	10,122
Minority interests		<u>8</u>	<u>2</u>

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> <i>(Restated*)</i>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(77,620)</u>	<u>10,124</u>
EARNINGS/(LOSS) PER SHARE(CENTS)			
Basic	(7)	<u>(1.71)</u>	<u>0.28</u>
Diluted	(7)	<u>N/A</u>	<u>N/A</u>

* *In previous year, the payment for the use of an industrial plant was included in "Other operating expenses". During the year, the Group considered it more appropriate to include the amount in the Group's cost of sales to better reflect the underlying nature of the balance. The comparative amounts of cost of sales and other operating expenses have been restated to conform to the current year's presentation.*

Notes:

(1) Segment information

Statement of Standard Accounting Practice 2.126 was adopted during the year. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the mold products segment engages in the manufacture and sale of high precision molds;
- (b) the plastic products segment engages in the manufacture and sale of plastic products; and
- (c) the data centre segment engages in the operation of an internet server co-location centre.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

During the current and prior years, there were no intersegment transactions.

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group's business segments.

Group	Mold							
	products		Plastic products		Data centre		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
Segment revenue:								
Sales to external customers	76,849	79,227	25,240	32,245	—	—	102,089	111,472
Other revenue	<u>2,288</u>	<u>3,102</u>	<u>11</u>	<u>234</u>	<u>2,241</u>	<u>—</u>	<u>4,540</u>	<u>3,336</u>
Total	<u>79,137</u>	<u>82,329</u>	<u>25,251</u>	<u>32,479</u>	<u>2,241</u>	<u>—</u>	<u>106,629</u>	<u>114,808</u>
Segment results	<u>(23,439)</u>	<u>12,508</u>	<u>(10,003)</u>	<u>2,179</u>	<u>(34,876)</u>	<u>—</u>	<u>(68,318)</u>	<u>14,687</u>
Unallocated other revenue							907	1,612
Unallocated expenses							<u>(9,014)</u>	<u>(628)</u>
Profit/(loss) from operating activities							(76,425)	15,671
Finance costs							<u>(1,567)</u>	<u>(2,136)</u>
Profit/(loss) before tax							(77,992)	13,535
Tax							<u>364</u>	<u>(3,413)</u>
Profit/(loss) before minority interests							(77,628)	10,122
Minority interests							<u>8</u>	<u>2</u>
Net profit/(loss) from ordinary activities attributable to shareholders							<u>(77,620)</u>	<u>10,124</u>

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments.

Group

Segment revenue

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Sales to external customers		
Hong Kong	21,450	27,259
European Union*	3,621	14,395
United States and Canada	36,383	30,589
Japan	24,177	9,028
Taiwan	48	22,791
Elsewhere in PRC	15,009	5,521
Others	<u>1,401</u>	<u>1,889</u>
Total	<u>102,089</u>	<u>111,472</u>
(ii) Other revenue		
Hong Kong	2,307	44
United States and Canada	1,581	2,312
Elsewhere in PRC	<u>652</u>	<u>980</u>
Total	<u>4,540</u>	<u>3,336</u>
Segment revenue	<u>106,629</u>	<u>114,808</u>

* *European Union principally relates to the United Kingdom and France*

(2) **Turnover**

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

(3) **Other operating expenses**

The Group's other operating expenses include the followings:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment of goodwill	3,761	—
Provision for doubtful debts	6,245	1,400
Provision against other investment	3,800	—
Provision against payments for transfer of technology know-how	8,800	—
Provision against deposit paid for a proposed investment	<u>5,000</u>	<u>—</u>

(4) **Loss on abandonment of a discontinued operation, net**

In March 2001, the Group completed the acquisition of the entire equity interest in Sky Datamann International Limited from an independent third party. Further details were contained in the Company's circular dated 26 February 2001. Sky Datamann (Hong Kong) Limited ("Sky Datamann") is a wholly-owned subsidiary of Sky Datamann International Limited. Sky Datamann was engaged in the provision of an internet server co-location centre, which was solely carried out in Hong Kong.

In December 2001, the Group abandoned its business of such operation due to the installation of unauthorized building works which are subject to be ordered for removal by the relevant authority. As substantial investment costs were expected to be incurred to rectify the said unauthorized building works in order to enable the Group to continue the business of the data centre, the Group finally decided to abandon the data centre business in December 2001 in order to minimize the financial impact to the Group.

The loss on abandonment of a discontinued operation includes impairment in value of fixed assets of HK\$32,261,000, the write-off of various deposits of HK\$1,198,000 and negative goodwill recognised of HK\$10,162,000.

(5) **Profit/(loss) from operating activities**

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation ⁽ⁱ⁾	17,763	7,919
Cost of inventories sold	71,278	61,763
Exchange losses/(gains), net	(1,064)	103
Negative goodwill recognised as income during the year ⁽ⁱⁱ⁾	(11,955)	—
Interest income	<u>(391)</u>	<u>(1,229)</u>

(i) The increase in depreciation was due to the addition of fixed assets of HK\$40 million arising from acquisition of Sky Datamann International Limited and increase in capital investment in machineries of HK\$8 million of the Group.

(ii) The movements in negative goodwill recognised in the profit and loss account for the year are included in "Other revenue" and "Loss on abandonment of a discontinued operation, net" of HK\$1,793,000 and HK\$10,162,000 respectively, on the face of the profit and loss account.

(6) **Tax**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year. For the year ended 31 December 2000, the provision of Hong Kong profits tax had been provided at the rate of 16 per cent on the

estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001 <i>HK'000</i>	2000 <i>HK'000</i>
Provision for tax in respect of profits for the year:		
Hong Kong	—	2,640
Elsewhere	8	523
Overprovision in prior years	(572)	—
Deferred tax	<u>200</u>	<u>250</u>
Tax charge/(credit) for the year	<u>(364)</u>	<u>3,413</u>

(7) Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$77,620,000 (2000: net profit of HK\$10,124,000) and the weighted average of 4,535,068,493 (2000: 3,622,950,820) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2001 has not been presented as the effect of any dilution is anti-dilutive. Diluted earnings per share for the year ended 31 December 2000 had not been presented as no diluting events existed during that year.

(8) Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2001 (2000: Nil).

(9) Reserves

	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2000	—	147	—	31,929	25,265	57,341
Translation differences arising on consolidation of overseas subsidiaries	—	(45)	—	—	—	(45)
Issue of shares	45,000	—	—	—	—	45,000
Capitalisation issue of shares -	(14,999)	—	—	—	—	(14,999)
Share issue expenses	(14,328)	—	—	—	—	(14,328)
Goodwill eliminated on consolidation	—	—	(3,761)	—	—	(3,761)
Net profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,124</u>	<u>10,124</u>
Balance at 31 December 2000 and 1 January 2001	15,673	102	(3,761)	31,929	35,389	79,332
Translation differences arising on consolidation of overseas subsidiaries	—	(90)	—	—	—	(90)
Issue of shares	14,700	—	—	—	—	14,700
Impairment of goodwill	—	—	3,761	—	—	3,761
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(77,620)</u>	<u>(77,620)</u>
Balance as at 31 December 2001	<u>30,373</u>	<u>12</u>	<u>—</u>	<u>31,929</u>	<u>(42,231)</u>	<u>20,083</u>

SUMMARY OF AUDITORS' REPORT

The auditors of the Group disclaimed their opinion for the year ended 31 December 2001 because of the significance of the fundamental uncertainty relating to the going concern basis.

The following is a summary of the auditors' report:

1. **Scope limitation - Provision against payments for a transfer of technology know-how**

Included in the consolidated profit and loss account for the year ended 31 December 2001 is a provision of HK\$8.8 million (classified under other operating expenses) made against the Group's payments for a transfer of technology know-how. A technology transfer agreement dated 1 December 2000 (the "Agreement") was entered into between the Group and a Japanese vendor (the "Vendor") whereby the Vendor agreed to grant a non-exclusive licence (the "Licence") to the Group to use the technology know-how in connection with the manufacture of double injection products for a consideration of HK\$8.8 million. On 19 September 2001, the Group made payments aggregating HK\$8.8 million to a nominated solicitor firm as instructed by the Vendor. Auditors were unable to obtain sufficient evidence, including the original execution copy of the Agreement and the Licence, to assess or confirm the underlying nature of the transaction, the existence of the Vendor, the Group's ownership of the technology know-how and that the payments to the solicitor firm reflected the underlying transaction. As a result of the above scope limitations, auditors were not able to perform the procedures they considered necessary to assess the transaction as a whole and, accordingly, as to whether the provision made is appropriate. Any adjustment to the provision would have a consequential impact on the Group's net assets as at 31 December 2001 and its loss for the year then ended.

2. **Scope limitation - Provision against a deposit paid for a proposed investment**

Included in the consolidated profit and loss account for the year ended 31 December 2001 is a provision of HK\$5 million (classified under other operating expenses) made against a deposit paid for a proposed investment in water saviour project. A memorandum of understanding dated 15 December 2000 and a revised memorandum of understanding dated 28 January 2002 were signed between the Group and an

independent investor company (the “Investor Company”) pursuant to which both parties intended to establish a joint venture company and jointly develop a water saviour project. On 24 April 2001, a deposit of HK\$5 million was paid by the Group to the chief executive officer (the “CEO”) of the Investor Company rather than to the Investor Company itself. Auditors were unable to obtain satisfactory explanations concerning the reasons why the payment was made to the CEO instead of the Investor Company and to satisfy themselves as to whether the payment reflected the underlying nature of the proposed transaction and hence whether the provision made is appropriate. Any adjustment to the provision would have a consequential impact on the Group’s net assets as at 31 December 2001 and its loss for the year then ended.

Fundamental uncertainty relating to the going concern basis of the Group

In forming their opinion, auditors have considered the adequacy of the disclosures made in a note to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The directors are currently undertaking various measures to relieve the Group from its current liquidity problems. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group’s funding plans and the successful negotiations with the Group’s bankers and certain creditors to reschedule and/or restructure its outstanding indebtedness to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from the failure of implementing such measures. Auditors consider that appropriate disclosures have been made but the fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that they have disclaimed their opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2001 amounted to HK\$102,089,000 (2000: HK\$111,472,000). During the year, revenue generated from mold products accounted for 75% of the Group’s turnover while plastic products contributed the remaining 25%.

A majority of the group's turnover is derived from the mold products. For the year ended 31 December 2001, mold products reported a turnover of HK\$76,849,000, representing a moderate decrease of 3% as compared with that of previous year. The decrease was mainly due to the dropping of selling price by average 5%-10% when compared with that for the year ended 31 December 2000.

Revenue from plastic products experienced a decreased of 21% between the two years. The decrease was mainly due to dropping of sales orders from customers in 2001.

Due to the slow recovery of the market, the Group's sales decreased by 8% in 2001 when compared with last year. Especially, the major sales region of the group in year 2000 — Hong Kong and Taiwan was decreased by 21% and 99.7% respectively. On the other hand, the group had a good performance in Japan and PRC, the sales in these two regions were increased by 168% and 172% respectively over the same period last year. In year 2001, Hong Kong, Japan, United States and Canada were the major sales regions of the group. The sales from these three regions constituted over 80% of the group sales.

Gross Profit Margin

The gross profit margin of the Group kept declining to 26% on average was mainly due to the sudden drop in turnover in the fourth quarter of year 2001 following the "911" incidents in the United States, where the direct overheads of the Group could not drop in the same level as the turnover since the Group has to bear certain fixed overheads such as direct labour cost, factory rental and depreciation expenses.

Administrative Expenses

Total administrative expenses of the Group increased to HK\$50,157,000 in 2001 compared to HK\$28,149,000 in 2000 was mainly due to the HK\$13,028,000 administrative expenses incurred by data centre business and the increase in staff employed in both production and marketing department which resulted in an increase of salary and allowances and other related expenses by approximately HK\$6,000,000 as compared with that of last year.

Other Operating Expenses

Other operating expenses increased to HK\$31,990,000 as compared to HK\$4,733,000 in the last year. The increase was mainly due to the provision

for doubtful debts, impairment of goodwill and full provision made against the Group's investments. Other operating expenses maintained a similar level to that of the last year if taking out the effect of the provisions made for 2001.

Net Loss from Ordinary Activities Attributable to Shareholders

The Group recorded a net loss after taxation of HK\$77,620,000 for 2001, whereas a net profit of HK\$10,124,000 was recorded for the year ended 2000. The loss in 2001 was primarily a result of the various provisions of HK\$28,171,000 and the net losses of HK\$34,876,000 incurred by Sky Datamann for the period of nine months since its acquisition.

Liquidity and Financial Resources

The Group generally financed its operations and investing activities with internally generated cash flows, balance of proceeds from IPO, bank loans and trade facilities granted by major bankers.

For the Group's mold business, deposits received from customers facilitate the funding of the operation. As a result the demand of banking facilities is not substantial. As at 31 December 2001, out of approximately HK\$8 million banking facilities granted by major bankers, the utilized facilities were approximately HK\$5,682,000 consisted of short term borrowings approximately HK\$1,869,000, bills payable approximately HK\$1,108,000 and trust receipt loans approximately HK\$2,705,000. The above bank borrowings was become due and payable within three months after year end. The Group's cash-to-borrowing ratio was 1.25 as at 31 December 2001 represented by cash and bank balances of HK\$5,734,000 divided by interest-bearing bank borrowings HK\$4,574,000. The Group's gearing ratio was 179% as at 31 December 2001 represented by total liabilities of HK\$78,169,000 divided by net asset value of HK\$43,583,000.

In the foreseeable future, the Group intends to finance its operations with the fund injected from new potential investors, new bank facilities and deposits received from customers.

Capital Structure

During the year, the Company issued 700,000,000 new ordinary shares of par value of HK\$0.005 each at a fair value of HK\$0.026 by way of consideration for the acquisition of 100% equity interest in Sky Datamann International Limited. Save as the aforesaid, no material change in the capital structure of the Company compared to last year.

Significant Investments

Apart from investments made and provided in the year as disclosed under “Other Operating Expenses” and “Summary of Auditor’s Report” of this announcement, there was no other significant investment as at 31 December 2001. It is the Group’s treasury policy to manage its disposals and acquisition of investment in listed securities depending on the market environment and the availability of funding.

Material Acquisition and Disposals of Subsidiaries

As mentioned above, the Company issued 700,000,000 new ordinary shares for the acquisition of the entire equity interest in Sky Datamann International Limited during the year. Sky Datamann International Limited is an investment holding company and wholly and directly owns Sky Datamann, which was engaged in the provision of an internet server co-location centre in Hong Kong. In the current year, Sky Datamann has ceased its business as stated in the announcement of the Company dated 2 January 2002 and set out in the section headed “Loss on abandonment of a discontinued operation, net” in this announcement. There was no other material acquisition and disposals of subsidiaries of the Company during the year.

Employee Information

As at 31 December 2001, the Group had 566 full-time employees. Staff costs, excluding director’s remuneration but including amount capitalized as work-in-progress was HK\$28,153,000 for the year. Employees were paid at market remuneration with bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

Charges on Assets

Out of HK\$77,582,000 of the net book value of fixed assets of the Group, HK\$16,961,000 of the net book value of fixed assets were under finance lease as at 31 December 2001. Apart from the finance lease arrangement, there were no charges on assets as at 31 December 2001.

Plans for Material Investments or Capital Assets

The Group's future plans for material investments or capital assets shall be in line with what have been stated in the section of "Business Objectives and Implementation Plans" of the prospectus of the Company dated 9 May 2000. Up to the date of this announcement, there have been no other plans for material investments or capital assets that will require sources of funding from the internal resources of the Group in the coming year.

Exposure to Exchange Rate Fluctuations

During the year ended 31 December 2001, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars, US Dollars, Canadian Dollars and Renminbi, and the Group conducted its business transactions principally in these four type of currencies, all of which were relatively stable during the year under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

There was no significant contingent liabilities of the Group as at 31 December 2001.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2001.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practice and Procedure as set out in Rule 5.28 to 5.39 of the GEM Listing Rules since listed on GEM.

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.