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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)

DISPOSAL OF SHARES AND PLACING OF SHARES BY CONTROLLING SHAREHOLDER

Diamonds and Pearls, being the controlling shareholder of the Company and owns 41.61 per cent. of the issued share capital of the Company, informed the Board that on 15th May 2002 Diamonds and Pearls entered into the S&P Agreement and the Placing Agreement with New Universe and the Placing Agent, respectively, in relation to the disposal of its 1,956,000,000 Shares. Upon the completion of the S&P Agreement and the Placing Agreement, Diamonds and Pearls will have disposed of all its shareholdings in the Company and will cease to be a shareholder of the Company.

Currently, the Shares are under suspension of trading pending a review and announcement on the going concern issue and the working capital and financial position of the Company.

The Board was informed by Diamonds and Pearls Limited that it entered into the following agreements on 15th May 2002:

- (i) the conditional S&P Agreement dated 15th May 2002 pursuant to which Diamonds and Pearls shall sell and New Universe shall purchase the Sale Shares, which represent 29 per cent. of the entire issued share capital of the Company; and

- (ii) the conditional Placing Agreement dated 15th May 2002 pursuant to which the Placing Agent as agent of Diamonds and Pearls shall procure in relation to the placing to Independent Placee(s) of the Placing Shares, which represent approximately 12.61 per cent. of the entire issued share capital of the Company, failing which the Placing Agent shall purchase the Placing Shares as principal.

Upon the completion of the above agreements, Diamonds and Pearls will have disposed of all its shareholdings in the Company and will cease to be a shareholder of the Company.

The Company was advised by Diamonds and Pearls of the following main terms of the S&P Agreement and the Placing Agreement.

S&P AGREEMENT DATED 15TH MAY 2002

(i) Parties

Purchaser : New Universe

Vendor : Diamonds and Pearls

Warrantors : Diamonds and Pearls and Mr. Tang are together referred to as “the Warrantors” and each a “Warrantor”

(ii) The Sale shares

A total of 1,363,000,000 Shares beneficially owned by Diamonds and Pearls, representing 29 per cent. of the entire issued share capital of the Company.

Pursuant to a share mortgage agreement dated 3rd January 2002 entered into between Diamonds and Pearls and NUHL as security for repayment of a loan of HK\$40,000,000 granted to Diamonds and Pearls, interests in the Sale Shares and the Placing Shares have been charged in favour of NUHL.

(iii) Consideration for the Sale Shares

The total consideration for the Sale Shares payable by New Universe to Diamonds and Pearls is HK\$17,719,000 (equivalent to a purchase price of HK\$0.013 per Share) which shall be paid to NUHL as partial repayment of the debts or liabilities, which at the date of the S&P Agreement amounts to HK\$42,649,845 of which sum (a) HK\$40,000,000 represented the

principal amount of the loan; and (b) HK\$2,649,845 represented the arrears of interest on the loan which is still accruing, due to NUHL by Diamonds and Pearls under a loan agreement to which the abovementioned share mortgage agreement relates.

The consideration of HK\$0.013 per Sale Share represents a discount of about 27.78 per cent. to the closing price of HK\$0.018 per Share quoted on GEM on 8th March 2002 and a discount of approximately 7.14 per cent. to the average closing price of HK\$0.014 quoted on GEM over the last 10 Trading Days up to and including 8th March 2002. Pursuant to the announcement of the Company dated 11th March 2002 the trading of Shares 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.

(iv) Advance by New Universe to the Company

New Universe will, subject to Completion, advance an amount of HK\$15,000,000 to the Company within 7 working days after the Completion Date by way of an interest-free loan to be repaid on 31st December 2002 or on a later date as agreed between New Universe and the Company, which shall be applied solely towards financing the working capital of the Company. In addition, New Universe agreed to assist the Company in procuring a banking facility of HK\$10,000,000 following Completion and providing the necessary corporate guarantee in respect of the banking facilities. As at the date of this announcement, the discussion with certain bankers has commenced and the proposed facilities are currently under the bankers' review.

After Completion, New Universe will become a substantial shareholder of the Company and is therefore a connected person of the Company for the purpose of the GEM Listing Rules. The advance of the unsecured interest-free loan of HK\$15,000,000 and the procurement of banking facility of HK\$10,000,000 will be connected transactions for the Company, which are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.52(2) of the GEM Listing Rules on the basis that the principal purpose of the transactions are the granting of financial assistance by New Universe to the Company for the benefit of the Company on normal commercial terms (or better to the Company) where no security over the assets of the Company is granted to New Universe in respect of the financial assistance.

(v) Conditions of the S&P Agreement

The S&P Agreement is subject to the fulfillment of the following conditions:

- (a) SFC's confirmation that New Universe (and/or parties acting in concert with it) will not incur a mandatory obligation to make a general offer for the issued share capital of the Company pursuant to Note 7A to Rule 26.1 of the Takeovers Code;
- (b) completion of the Placing Agreement;
- (c) the Sale Shares are released from the share mortgage referred to in paragraph (ii) above;
- (d) at all times after the date of the S&P Agreement and prior to and on the Completion Date, the Sale Shares remaining listed on GEM at all times after the date of the S&P Agreement and prior to and on the Completion Date and trading in the Sale Shares not being suspended for a continuous period of more than 10 Trading Days apart from any suspension as a result of the clearance of this announcement; and
- (e) no indication being received by the Company on or before Completion, from the SFC or the Stock Exchange to the effect that the listing of the Sale Shares on GEM may be withdrawn or objected to (or unusual and onerous conditions may be attached to such listing) as a result of the Completion, or completion of The Placing Agreement or in connection with the terms of the S&P Agreement or the Placing Agreement.

As at the date of this announcement, none of the above conditions have been fulfilled.

(vi) Completion

Completion of the S&P Agreement shall take place on Completion Date or such other date and at such time as may be agreed by the parties involved.

The current Board consists of five Directors (comprising three executive Directors, being Mr. Tang, Mr. Chan Ngai Sang, Kenny and Mr. Law, two independent non-executive Directors, being Dr. Chan Yan Cheong and Mr. Yuen Kim Hung, Michael) and they will remain as Directors of the Company.

At Completion, Diamonds and Pearls shall procure a board meeting of the Company to be held at which the appointment of Mr. Xi Yu and Mr. Hua Zhixiang nominated by New Universe as additional Directors.

The following are the biographical details of Mr. Xi Yu and Mr. Hua Zhixiang:

Mr. Xi Yu, aged 44, is the founder of NUHL and New Universe. He has over 17 years experience in the plastic industry. During 1988 to 1995, he was the deputy managing director of Sinochem Plastics (HK) Ltd..

Mr. Hua Zhixiang, aged 33, is the founder of New Universe. He has over 9 years experience in the financial and investment sector.

(vii) Warrantors' undertakings

Diamonds and Pearls and Mr. Tang as Warrantors have given certain undertakings and warranties to New Universe including the following:

- (a) Subject to the share mortgage referred to in paragraph (ii) above, Diamonds and Pearls, is entitled to sell and transfer the full legal and beneficial ownership of the Sales Shares to New Universe free from encumbrances.
- (b) To the best of the knowledge, information and belief of Diamonds and Pearls all information relating to the Group and which is known to the Warrantors and which would be material to a purchaser for value of the Sale Shares (in particular information relating to any material contract or commitment of an unusual or onerous nature) has been fully and fairly disclosed to New Universe.
- (c) The audited accounts of the Company for the year ended 31st December 2001 (the "Accounts") were prepared in accordance with accounting practices generally accepted in Hong Kong and consistently applied;
- (d) The Group owns free from encumbrance all its undertaking and assets shown or comprised in the Accounts save as otherwise indicated in the Accounts and all such assets are in its possession or under its control.
- (e) Save for those information publicly disclosed, no member of the Group is in material breach or in material default (nor any event occurred which, with the giving of notice or the lapse of time or both would result in a material default) under any law, agreement, licence,

certificate, instrument or authorisation which is binding upon or affects it or any of its assets or revenues or operation of its business in any material and adverse manner or is in breach or violation of its memorandum and articles of association or other constitutive document which is likely to have a material adverse effect on the Group taken as a whole; and

- (f) The financial or business information concerning the Group as contained in the information publicly disclosed by any member of the Group at any time prior to the date hereof do not contain any material misrepresentation of fact or omit to state a fact necessary to make the information contained therein not materially misleading.

(viii) **Intention of New Universe**

The Company has been informed by New Universe that it intends to hold the Sale Shares as a long-term investment and the directors of New Universe believe that the purchase of the Sale Shares will provide New Universe with an opportunity to diversify its investment and the principal business of the Company (which is plastic molding and tooling) would compliment to the existing business of New Universe's group companies (which includes trading and manufacturing of chemicals and plastic materials) that New Universe will supply the Group of plastic materials that are the major raw material required in the Group's plastic molding business. Since the Group has consolidated audited losses of approximately HK\$77.6 million for the year ended 31st December 2001 and the current cashflow position of the Group is tight, the new directors to be appointed by New Universe to the Board will review the financial position, business operations and assets portfolio of the Group with a view to improve the financial position of the existing business. The Group is principally engaged in the design, manufacturing and trading of mold and plastic products. It is the intention of New Universe that the molding and tooling activities will remain as the principal businesses of the Group. New Universe does not have any plan to inject assets into the Company or change the business of the Group.

New Universe intends the Company to remain listed on the Stock Exchange. If the Company remains a listed company, the Stock Exchange has the discretion to require the Company to issue a circular to its shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from

the Company's principal activities. The Stock Exchange also has the power to aggregate a series of transactions and any such transaction may result in the Company being treated as if it were a new listing applicant.

PLACING AGREEMENT DATED 15TH MAY 2002

(i) Parties:

(a) Diamonds and Pearls

(b) the Placing Agent

(ii) Basis of Placing:

Fully underwritten

(iii) Placing Shares:

593,000,000 Shares, which will be sold, representing approximately 12.61 per cent. of the entire issued share capital of the Company.

(iv) Placement to:

The Placing Shares will be placed to 6 Independent Placee(s).

(v) Placing Price and consideration:

HK\$0.013 per Share (being the same as the sale price per Sale Share).

The total consideration for the Placing Shares of HK\$7,709,000, after deduction of 2 per cent. commission to the Placing Agent, shall be paid to NUHL as partial repayment of the debts or liabilities due to NUHL by Diamonds and Pearls as mentioned in paragraph (iii) under the heading entitled S&P Agreement Dated 15th May 2002. Hence, upon the Completion and the completion of the Placing Agreement, the outstanding amount due to NUHL by Diamonds and Pearls will be approximately HK\$17 million with interest accruing.

(vi) Condition and completion of the Placing Agreement:

Completion of the Placing Agreement is conditional upon the followings:

- (a) the Placing Shares are released from the share mortgage referred to in paragraph (ii) under the heading entitled S&P Agreement Dated 15th May 2002 mentioned above;
- (b) SFC being satisfied with the independence of the Placing Agent and the Independent Placee(s); and
- (c) resumption of trading of Shares on GEM.

The Placing Agreement shall lapse if the aforesaid conditions have not all been fulfilled by 13th June 2002.

DIAMONDS AND PEARLS' SHAREHOLDING IN THE COMPANY

As at the date of this announcement, Diamonds and Pearls owns 41.61 per cent. of the issued share capital of the Company, which comprises 1,956,000,000 Shares. As at the date of this announcement and upon the Completion, the interests in the issued Shares are as follows:

Held by:	No. of Shares held before Completion	Percentage of holding of Shares before Completion	No. of Shares held after Completion	Percentage of holding of Shares after Completion
Diamonds and Pearls	1,956,000,000	41.61	—	—
New Universe Joyful Way Holdings Limited (<i>Note</i>)	—	—	1,363,000,000	29.00
Public	535,500,000	11.39	535,500,000	11.39
	<u>2,208,500,000</u>	<u>47.00</u>	<u>2,801,500,000</u>	<u>59.61</u>
Total	<u>4,700,000,000</u>	<u>100.00</u>	<u>4,700,000,000</u>	<u>100.00</u>

Note: Joyful Way Holdings Limited is beneficially owned as to 26.9 per cent. by Mr. Chan Ngai Sang, Kenny, an executive director of the Company and 73.1 per cent. by Mr. Yaw Chee Weng.

Upon the completion of the S&P Agreement and the Placing Agreement, Diamonds and Pearls will have disposed of all of its shareholdings in the Company and will cease to be a shareholder of the Company.

Currently, the Shares are under suspension of trading pending a review and announcement on the going concern issue as mentioned in the annual report of the Company for the year ended 31st December 2001 and the working capital and financial position of the Company.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Smartech Digital Manufacturing Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, the shares of which are currently listed and dealt in on GEM
“Completion”	completion of the sale and purchase of the Sale Shares
“Completion Date”	the day the fulfillment of the conditions stipulated in the S&P Agreement or such other date as Diamonds and Pearls and New Universe may agree, which in any event shall not be later than 13th June 2002
“Diamonds and Pearls”	Diamonds and Pearls Limited (which is beneficially owned as to 84 per cent. by Mr. Law and as to 16 per cent. by Mr. Tang), a company incorporated in the British Virgins Islands with limited liabilities, the controlling shareholder of the Company which owns 41.61 per cent. of the issued share capital of the Company
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars
“Independent Placee(s)”	Placee(s) of the Placing Shares who is/are independent private investor(s) not connected and not acting in concert with any of the directors, chief executive, management shareholders or substantial shareholders of the Company, NUHL, New Universe, their respective subsidiaries or associates (as defined in GEM Listing Rules)
“Mr. Law”	Mr. Law Man Ming, an executive director of the Company
“Mr. Tang”	Mr. Tang Kwok Yuen, an executive director and the chairman of the Company
“New Universe”	New Universe Enterprises Limited, a company incorporated in the British Virgins Islands, which is beneficially owned by Mr. Xi Yu (81.75 per cent.), Mr. Chu Yuk Ngai (5.625 per cent.), Ms. Cheung Siu Ling (5.625 per cent.), Mr. Suen Ki (4 per cent.), and Mr. Hua Zhixiang (3 per cent.) and is an associated company of NUHL.
“NUHL”	New Universe Holding Limited, a company incorporated in Hong Kong, which is wholly owned by New Asia International (Group) Limited, a company incorporated in the British Virgins Islands. New Asia International (Group) Limited is beneficially owned by Mr. Xi Yu (87.5 per cent.), Mr. Chu Yuk Ngai (6.25 per cent.) and Ms. Cheung Siu Ling (6.25 per cent.)
“Placing Agent”	Taifair Securities Limited which is a company independent of New Universe, NUHL and the Company
“Placing Agreement”	the placing agreement entered into between Diamonds and Pearls and the Placing Agent

“Placing Shares”	593,000,000 Shares beneficially owned by Diamonds and Pearls and to be placed under the Placing Agreement
“S&P Agreement”	the conditional sale and purchase agreement dated 15th May 2002 made between Diamonds and Pearls as vendor and warrantor and New Universe as purchaser and Mr. Tang as warrantor
“Sale Share”	1,363,000,000 Shares beneficially owned by Diamonds and Pearls and to be purchased by New Universe under the S&P Agreement
“Share(s)”	share(s) of a nominal value of HK\$0.005 each in the issued share capital of the Company
“SFC”	the Securities and Futures Commission
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Trading Day”	a day on which GEM is open for the business of dealing in securities

By Order of the Board
Smartech Digital Manufacturing Holdings Limited
Chan Ngai Sang, Kenny
Executive Director

Hong Kong, 17th May 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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