

*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 howsoever arising from or in reliance upon the whole or any part of the content of this announcement.*



## **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)*

### **ANNOUNCEMENT INFORMATION ON THE WORKING CAPITAL AND FINANCIAL POSITION**

The Board wishes to make this 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.

As at the date of this announcement, the Group has cash and bank balances of approximately HK\$2.8 million, out of which approximately HK\$0.8 million has been frozen by bankers and the remaining balance of approximately HK\$2.0 million is free of charges, pledges or encumbrances. The Group also has outstanding borrowings of approximately HK\$17.8 million comprising secured bank loans of about HK\$1.9 million, secured trust receipt loans of about HK\$2.0 million and finance lease obligations of about HK\$13.9 million. The outstanding claims under litigation against the Group are in an aggregate amount of approximately HK\$18.0 million, of which approximately HK\$6.1 million judgements have been received.

As at the date of this announcement, the Group has orders on hand amounted to approximately HK\$20.0 million, out of which approximately HK\$10.0 million has been billed previously as deposit and the remaining balance is expected to be billed in the coming months up to October 2002.

The Group's production levels represented by machine hours in April 2002 for tooling division and plastic injection division were approximately 43% and approximately 64% respectively. In May 2002, there were 312 staffs of the Group engaged in production.

As disclosed in the announcement dated 17th May 2002, Diamonds and Pearls entered into the S&P Agreement and the Placing Agreement on 15th May 2002 with New Universe and a placing agent, respectively, in relation to the disposal of all its shares in the Company. Upon Completion, New Universe will advance an amount of HK\$15.0 million to the Company on the date of Completion by way of an unsecured and interest-free loan. In addition, New Universe agreed to assist the Company by providing the necessary corporate guarantee in procuring a banking facility of HK\$10.0 million following Completion. In the event that such banking facility cannot be arranged on or before 30th June 2002, New Universe agreed that it shall arrange an amount of HK\$10.0 million for the use of the Company upon normal commercial terms (or better) on 30th June 2002.

At as the date of this announcement, the conditions to be fulfilled for the Completion of the S&P Agreement are, amongst others, (i) the completion of the Placing Agreement (which will be subject to the resumption of trading of the shares of the Company), and (ii) the resumption of trading of the shares of the Company on or before 3rd June 2002. In the event that the Completion cannot be completed on 3rd June 2002, according to the conditions stated in the S&P Agreement, the S&P Agreement will be terminated.

At the request of the Company, trading of shares of the Company on the Stock Exchange was suspended effective from 10:42 a.m. on 8th March 2002 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the securities of the Company with effect from 9:30 a.m. on 31st May 2002. **Investors/shareholders are advised to exercise extreme caution in dealing in the securities of the Company.**

The board of directors (the “Board”) of Smartech Digital Manufacturing Holdings Limited (the “Company”) wishes to make this 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.

The Board announces the following information in relation to working capital and financial position of the Company together with its subsidiaries (the “Group”) for the period ended 31st March 2002 as follows:

**Unaudited consolidated results**

	<b>For the three months ended 31st March 2002 Unaudited HK\$'000</b>
Turnover	<u>17,777</u>
Loss from ordinary activities before tax	(4,849)
Tax	<u>—</u>
Loss from ordinary activities after tax	(4,849)
Minority interests	<u>3</u>
Loss attributable to shareholders	<u>(4,846)</u>
Loss per Share (cents)	
Basic	<u>0.10</u>
Diluted	<u>N/A</u>

# Unaudited consolidated balance sheet

31st March 2002  
Unaudited  
HK\$'000

## NON-CURRENT ASSET

Fixed assets 74,475

## CURRENT ASSETS

Inventories 15,406

Trade receivables 13,285

Prepayment, deposits and other receivables 9,982

Tax recoverable 1,401

Cash and bank balances 3,664

43,738

## CURRENT LIABILITIES

Interest-bearing bank and other borrowings 3,774

Trade and bills payables 23,080

Deposits received 12,406

Accrued liabilities and other payables 24,195

Finance lease payables 6,867

Tax payable 2,124

72,446

NET CURRENT LIABILITIES (28,708)

TOTAL ASSETS LESS CURRENT LIABILITIES 45,767

## NON-CURRENT LIABILITIES

Finance lease payables (6,150)

Deferred tax (900)

(7,050)

Minority interests (19)

**38,698**

## CAPITAL AND RESERVES

Issued capital 23,500

Reserves 15,198

**38,698**

## Business and financial review

Further to the announcement of the Company dated 11th February 2002, the alleged departure of Mr. Law Man Ming (“Mr. Law”), an executive director of the Company, from Hong Kong (the “Alleged Information”) has brought adverse effect to the financial position of the Group. The Alleged Information affected the reputation of the Group and in turn influenced the confidence of the bankers, suppliers and customers of the Group. The gross profit margin of the tooling and moulding business was inevitably reduced as price pressures were received from both customers and suppliers. Nevertheless, cost control programs, which had been effectively implemented, minimized the loss of the Group to around HK\$4.8 million for the three months ended 31st March 2002. The management will put all their effort to re-build the confidence from its customers and suppliers and will continue to carry out the effective cost control programs. As at the date of this announcement, the Group has orders on hand from independent third parties amounted to approximately HK\$20.0 million (comprising approximately HK\$16.0 million of tooling orders and approximately HK\$4.0 million of plastic injection orders) out of which approximately HK\$10.0 million has been billed previously as deposits. Up to the date of this announcement, approximately HK\$8.0 million, out of the deposits of approximately HK\$10.0 million, has been received. The remaining balance of approximately HK\$10.0 million is expected to be billed in the coming months up to October 2002. An aging analysis of the Group’s orders received is as follows:

Orders received in:	Expected billing in (HK\$'000)						Amount billed as deposits on or before May 2002 (HK\$'000)	Total order amount (HK\$'000)
	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02		
Oct 01	564						1,125	1,689
Nov 01	121	492					1,131	1,744
Dec 01	425	547					2,268	3,240
Jan 02	417	182					1,518	2,117
Feb 02		77	112				627	816
Mar 02			452				1,055	1,507
Apr 02	1,285	1,363	155	281	387	188	1,633	5,292
May 02	<u>2,308</u>	<u>19</u>	<u>300</u>	<u>—</u>	<u>15</u>	<u>300</u>	<u>750</u>	<u>3,692</u>
<b>Total</b>	<b><u>5,120</u></b>	<b><u>2,680</u></b>	<b><u>1,019</u></b>	<b><u>281</u></b>	<b><u>402</u></b>	<b><u>488</u></b>	<b><u>10,107</u></b>	<b><u>20,097</u></b>

The above are current orders not yet overdue. The time for the completion of an order usually depends on its production complexity and the production time may range from approximately three months to approximately nine months. According to the Group's policy and agreements with customers, the orders are cancelable but the deposits received from customers are non-refundable.

The Group's production levels represented by machine hours in April 2002 for tooling division and plastic injection division were approximately 43% (Dec 2001: 67%) and approximately 64% (Dec 2001: 69%) respectively. In May 2002, there were 312 staffs of the Group engaged in production. The Group is not delinquent in payment of salaries and wages.

The Board considers that sufficient level of operations is maintained pursuant to Rule 17.26 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at the date of this announcement, the Group has trade receivables of approximately HK\$11.4 million. Based on the financial records of the Group for the past four months, the Group has not encountered problems on the collection of trade receivables from its customers.

Following the cessation of the operation of data centre business of Sky Datamann (Hong Kong) Limited ("Sky Datamann"), a wholly-owned subsidiary of the Company, as disclosed in the announcement of the Company dated 2nd January 2002, the assets of Sky Datamann were written off in December 2001. As at 31st March 2002, Sky Datamann had total liabilities (all were current liabilities) of approximately HK\$11.7 million of which Sky Datamann was solely liable to. No guarantee has been provided by the Company or any other members of the Group to Sky Datamann on its liabilities. The Company, as one of the creditors of Sky Datamann, may consider taking appropriate action to apply creditor winding-up against Sky Datamann.

## **Indebtedness statement**

Based on the unaudited books and records of the Group as at 30th May 2002, the financial position of the Group is as follows:

### *Cash position*

According to the books and records of the Group, as at the close of business on 30th May 2002, the Group has cash and bank balances of

approximately HK\$2.8 million, out of which approximately HK\$0.8 million has been frozen by bankers due to the Group's non-payment of overdue amounts under certain banking facilities as disclosed in the announcement of the Company dated 11th March 2002 and the remaining balance of approximately HK\$2.0 million is free of charges, pledges or encumbrances.

### *Borrowings*

As at the close of business on 30th May 2002, the Group has outstanding borrowings of approximately HK\$17.8 million comprising secured bank loans of about HK\$1.9 million, secured trust receipt loans of about HK\$2.0 million and finance lease obligations of about HK\$13.9 million.

The abovementioned bank loans and trust receipt loans are secured by corporate guarantee executed from the Company and cross-corporate guarantees between members of the Group. The abovementioned bank loans and trust receipt loans of the Group have been overdue as at 30th May 2002.

As at 30th May 2002, banking facilities of approximately HK\$8.0 million granted to the Group previously have been withheld by certain bankers of the Group due to the non-payment of overdue amounts as aforesaid. The amount of facilities utilised as at 30th May 2002 are approximately HK\$3.9 million comprising of (i) secured bank loans of approximately HK\$1.9 million as mentioned above and (ii) secured trust receipt loans of approximately HK\$2.0 million as mentioned above. As disclosed in the announcement made by the Company dated 27th May 2002, one of the bankers of the Group had issued writ of summons and judgement was entered against the Group for an amount of approximately HK\$2.1 million (which was also included in the outstanding claims of approximately HK\$18.0 million under Litigation as described below) comprising bank loans of approximately HK\$1.9 million and trust receipt loans of approximately HK\$0.2 million.

As at 30th May 2002, an aggregate amount of approximately HK\$2.2 million finance lease obligations due and payable after 31st March 2002 is in default. As a result, total finance lease obligations of approximately HK\$13.9 million was breached and hence terminated by lessors and became due and payable on demand as at the date of this announcement. The terminated finance lease obligations include leasing of machinery, motor vehicles and computer and equipment with an aggregate net book value of approximately HK\$21.0 million as at 30th April 2002. Due to the default in payment, two lessors had issued writs of summons against the Group on outstanding finance lease obligations of approximately HK\$5.8 million (which were also included in the

outstanding claims of approximately HK\$18.0 million under Litigation as described below). The net book value of fixed assets of the Group under such obligations amounted to approximately HK\$7.2 million as at 30th April 2002. **Since most of the fixed assets under finance lease are related to the production of the Group, the Board considers that any repossession action taken by the lessors resulted from the default in payments of the abovementioned finance lease obligations will bring material adverse effect to the operation of the Group.** The Group has negotiated with all the lessors and verbal agreements have been reached on the reschedule of repayment arrangements. According to the agreed repayment arrangements with all lessors, provided that the settlement of approximately HK\$1.1 million as part of the overdue amount and the continual fulfillment of monthly obligation of approximately HK\$0.7 million are to be made by the Group, the remaining overdue balance of HK\$1.1 million will be deferred to the end of lease terms (of which approximately HK\$0.5 million of the remaining overdue amount will be payable after 12 months from the date of this announcement) and the said writs of summons will be withdrawn accordingly.

#### *Trade payables and accrued liabilities*

As at 30th May 2002, based on invoiced dates, the Group has trade payables of approximately HK\$23.2 million comprising approximately HK\$1.2 million due within 1 month, approximately HK\$1.2 million overdue 1 to 2 months, approximately HK\$1.4 million overdue 2 to 3 months, approximately HK\$5.7 million overdue 3 to 6 months, approximately HK\$10.1 million overdue 6 to 12 months and approximately HK\$3.6 million overdue for more than 12 months. Included in the amount of trade payables overdue for more than 6 months, approximately HK\$2.9 million was related to judgement debts (which was also included in the outstanding claims of approximately HK\$18.0 million under Litigation as described below), approximately HK\$1.2 million was related to debts of which writs or demand letters had been issued to the Group and approximately HK\$1.6 million was related to liabilities incurred by Sky Datamann. The Group plans to settle the trade payables of approximately HK\$21.6 million (net of liabilities of Sky Datamann of approximately HK\$1.6 million) with HK\$2.9 million of judgement debts to be settled in June 2002, approximately HK\$1.2 million of debts with writs or demand letter issued to be settled in July 2002, and approximately HK\$1.0 million will be allocated per month to settle the remaining balances by internally generated fund from operations of the Group (such as receivables and deposits from customers).

As at 30th May 2002, the Group has accrued liabilities of approximately HK\$24.4 million comprising approximately HK\$8.2 million of various provisions (including executive directors discretionary bonus of approximately HK\$2.0 million, provision for value-added tax and business taxes of approximately HK\$3.7 million, provisions for staff bonus of approximately HK\$0.5 million, and provision for audit fee, legal and professional fee and other expenses of approximately HK\$2 million), approximately HK\$1.8 million of accrued expenses (including salary of approximately of HK\$1.3 million for May 2002, accrued rental expenses of approximately HK\$0.5 million) due within 1 month, approximately HK\$0.5 million overdue 1 to 2 months, approximately HK\$0.6 million overdue 2 to 3 months, approximately HK\$1.7 million overdue 3 to 6 months, approximately HK\$1.3 million overdue 6 to 12 months and approximately HK\$10.3 million overdue for more than 12 months. The amount of accrued liabilities overdue for more than 12 months was all incurred by Sky Datamann and out of which, an amount of approximately HK\$6.9 million was related to claims against Sky Datamann as described in the paragraph headed “Litigation” below. The Group plans to settle the accrued salary of May 2002 and rental expenses from internally generated fund (such as cash received from customers). The Group will allocate HK\$0.2 million from internally generated fund per month to settle the above due accrued liabilities of approximately HK\$4.1 million (excluding approximately HK\$10.3 million incurred by Sky Datamann).

Save as aforesaid and apart from intra-group liabilities, the Group does not have, at the close of business on 30th May 2002, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any hire purchase commitments, or any guarantees or any contingent liabilities.

## **Litigation**

As at the date of this announcement, outstanding claims under litigation against the Group are in an aggregate amount of approximately HK\$18.0 million, of which approximately HK\$6.1 million judgements have been received. Included in the claims of approximately HK\$18.0 million, there were approximately HK\$6.9 million claims (of which approximately HK\$1.0 million were judgement debts) against Sky Datamann International Limited, a wholly-owned subsidiary of the Company and Sky Datamann (together referred to as “Sky Datamann Group”). The Company will not consider allocating funds to settle the claims against Sky Datamann Group, the reason of which has been set out in the paragraph headed “Business and financial

review” above as Sky Datamann Group is solely liable to such claims and no guarantee has been provided by the Company or any other members of the Group to Sky Datamann Group on its liabilities. As no guarantee had been provided by the Group (excluding Sky Datamann Group) to Sky Datamann Group, the Company was advised by its legal advisor that the Group (excluding Sky Datamann Group) would not be liable for any claim or judgement which may be made against Sky Datamann Group.

Pursuant to the announcement of the Company dated 23rd April 2002 in respect of the High Court Companies Winding-up Proceedings No. 432 and No.433 of 2002 (the “Petitions”) against Smartech Plastic Moulding Limited (“SPM”) and Smartech Manufacturing Limited (“SML”) respectively, no material development on the Petitions has been made up to the date of this announcement. SPM and SML are major and wholly-owned subsidiaries of the Company. The total amounts demanded under the Petitions were approximately HK\$1.7 million (which included in the outstanding claims of approximately HK\$18.0 million as stated above and also included in the amount of judgement debts of approximately HK\$2.9 million under the sub-paragraph headed “Trade payables and accrued liabilities” under the paragraph headed “Indebtedness Statement” above). Other than the litigation of the Group, there are no contingent liabilities as at the date of this announcement.

### **Working capital**

As disclosed in the announcement of the Company dated 17th May 2002, Diamonds and Pearls Limited (the controlling shareholder of the Company and owns 41.61 per cent. of the issued share capital of the Company) (“Diamonds and Pearls”) entered into (i) a conditional sale and purchase agreement dated 15th May 2002 (the “S&P Agreement”) pursuant to which Diamonds and Pearls shall sell shares of the Company (the “Sale Shares”), beneficially owned by Diamonds and Pearls to New Universe Enterprises Limited (“New Universe”); and (ii) a conditional placing agreement dated 15th May 2002 (the “Placing Agreement”) pursuant to which the placing agent of Diamonds and Pearls shall procure in relation to the placing to independent placees shares of the Company (the “Placing Shares”) beneficially owned by Diamonds and Pearls. Pursuant to that announcement and a supplementary agreement between New Universe and the Company dated 27th May 2002, upon the completion of the S&P Agreement (the “Completion”), New Universe will advance an amount of HK\$15.0 million to the Company on the date of Completion by way of an unsecured and interest-free loan (the “Advance”), which shall be applied solely towards financing the working capital of the

Company. The Advance shall be repaid by the Company in one lump sum upon the expiry of one year from the date on the Advance provided that the Company shall have the right to extend such date of repayment for another year. New Universe shall not demand payment of the Advance before such date. In addition, New Universe agreed to assist the Company by providing the necessary corporate guarantee in procuring a banking facility of HK\$10.0 million upon normal commercial terms (or better) following the Completion (the “Proposed Banking Facility”). The Proposed Banking Facility will be mainly revolving trade facility, which will facilitate the Group’s future purchase. Discussions with certain bankers on the Proposed Banking Facility has commenced in May 2002. Currently the Proposed Banking Facility is under review by the bankers. In the event that such banking facility cannot be arranged on or before 30th June 2002, New Universe agreed that it shall arrange an amount of HK\$10.0 million for the use of the Company upon normal commercial terms (or better) on 30th June 2002 (the “Alternative Arrangement”). New Universe had deposited HK\$25.0 million in an escrow account for the Advance and the Alternative Arrangement. The Advance, the Proposed Banking Facility and the Alternative Arrangement are subject to (i) the resumption of trading of the shares of the Company on or before 3rd June 2002; (ii) the Completion; and (iii) the completion of the Placing Agreement.

As at the date of this announcement, the conditions to be fulfilled for the Completion are, amongst others, (i) completion of the Placing Agreement which is subject to the resumption of trading of the shares of the Company; and (ii) the resumption of trading of the shares of the Company on or before 3rd June 2002. In the event that the Completion cannot be completed on 3rd June 2002, according to the conditions stated in the S&P Agreement, the S&P Agreement will be terminated.

The resumption of trading of the shares of the Company is subject to the release of this announcement. It is expected that the S&P Agreement and the Placing Agreement will be completed as soon as practicable after the resumption of trading of the shares of the Company.

Taking into account the Advance and the Proposed Banking Facility (both are subject to the Completion), the Board is of the opinion that the Group has sufficient working capital to satisfy its present requirements. As at 31st March 2002, the net current liabilities of the Group amounted to approximately HK\$28.7 million, of which approximately HK\$11.7 million were net current liabilities incurred by and solely liable to Sky Datamann Group. As mentioned in the paragraph headed “Business and financial review” above, the Company will not consider allocating funds to settle liabilities of Sky Datamann Group.

The Group will use the Proposed Banking Facility to satisfy its future purchase and the Board is of the opinion that the Advance and the Proposed Banking Facility made available to the Group will alleviate the financial pressure that the Group is currently facing and will improve its financial position as business of the Group resumes to normal, which in turn, will resolve the going concern issue of the Group.

Apart from the Advance and the procurement of the Proposed Banking Facility, to the extent feasible and commercially viable, it is the intention of New Universe to provide or procure the provision of necessary funding support to the Company in reviving its operations as and when appropriate and New Universe is aware of the financial position and current cashflow problems of the Group.

### **Information of New Universe**

New Universe is an investment holding company and is an associated company of New Universe Holdings Limited. New Universe Holdings Limited, established in 1995, is a conglomerate holding investments and joint venture business involving trading and manufacturing of chemicals and plastic materials, real estates, finance and investment in Hong Kong, Taiwan and the PRC.

### **Intention of New Universe**

The current Board consists of five directors (comprising three executive directors, being Mr. Tang Kwok Yuen, 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 New Universe Holding Limited and New Universe. Mr. Xi holds a bachelor's degree in science from the University of Beijing and 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 holds a bachelor's degree in arts and a bachelor's degree in laws from the Foreign Affairs College, Beijing. He has held senior positions in companies engaged in financial and investment services. He has over 9 years experience in the financial and investment sector.

The Company has been informed by New Universe that it intends to hold its shares in the Company as a long-term investment and the directors of New Universe believe that the purchase of the shares of the Company 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 of the Group. 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 to the Company or change the principal business of the Group. As announced by the Board on 28th May 2002, the name of the Company was proposed to be changed from "Smartech Digital Manufacturing Holdings Limited (滙科數碼製造控股有限公司)" to "New Universe International Group Limited (新宇國際集團有限公司)". The proposed change of name is subject to, amongst other things, the Completion, the passing of a special resolution by the shareholders of the Company at the forthcoming annual general meeting of the Company and the approval of the Registrar of Companies in the Cayman Islands.

**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.**

## **Allocation of funds**

The Board proposed to use the Advance of HK\$15.0 million to settle (i) the amount due to lessors based on the agreed repayment arrangements of an aggregate amount of approximately HK\$1.1 million as referred to in the sub-paragraph headed “Borrowings” under the paragraph headed “Indebtedness Statement” above; (ii) banks borrowings of approximately HK\$3.9 million referred to in the sub-paragraph headed “Borrowings” under the paragraph headed “Indebtedness Statement” (including judgement debts of approximately HK\$2.1 million as disclosed in the announcement of the Company dated 27th May 2002, which will be settled on or before 4th June 2002 if the Advance is made available to the Company on or before that date); (iii) other judgement debts against the Group (except Sky Datamann Group) of approximately HK\$2.9 million referred to in the sub-paragraph headed “Trade payables and accrued liabilities” under the paragraph headed “Indebtedness Statement” (including an amount of approximately HK\$1.7 million of debts demanded under the Petitions); and (iv) potential claims against the Group of approximately HK\$1.2 million referred to in the sub-paragraph headed “Trade payables and accrued liabilities” under the paragraph headed “Indebtedness Statement”. The Proposed Banking Facility will be utilized for future purchases of the Group. After allocation of funds as stated above, the outstanding claims under litigation against the Group of approximately HK\$18.0 million (except claims against Sky Datamann Group) will be fully resolved which is expected to be completed within one month from the availability of the Advance. The remaining proceeds of approximately HK\$5.7 million after the above settlement arrangement will be allocated for the use of general working capital of the Group. The fixed overheads of the Group is approximately HK\$3.0 million per month.

## **Status of net proceeds from initial placing offering**

The business objectives as disclosed in the prospectus of the Company dated 9th May 2000 and the status of listing proceeds as at 31st March 2002 are as follows:

	<b>Total amount to be used up to 31st December 2002 <i>HK\$</i></b>	<b>Amount planned to be used up to first quarter of Year 2002 <i>HK\$</i></b>	<b>Actual amount used up to 31st March 2002 <i>HK\$</i></b>
<b>Plastic injection molds</b>			
To purchases accessories to streamline the production line	3,000,000	3,000,000	3,000,000
<b>Bottle blow molds</b>			
To purchases machinery and equipment for production			
To expand the existing department for production	4,000,000	4,000,000	4,000,000
<b>Magnesium casting molds</b>			
To purchase machinery and equipment for production			
To upgrade the existing die-casting machinery for magnesium casting molds			
To focus on research and development and set up a new department for production	11,000,000	11,000,000	9,000,000
<b>Plastic injection products</b>			
To upgrade the existing equipment to improve efficiency	3,000,000	3,000,000	3,000,000

	<b>Total amount to be used up to 31st December 2002 HK\$</b>	<b>Amount planned to be used up to first quarter of Year 2002 HK\$</b>	<b>Actual amount used up to 31st March 2002 HK\$</b>
<b>Plastic double injection products</b>			
To purchase machinery for production	4,000,000	4,000,000	4,000,000
<b>Design and development</b>			
To upgrade application softwares	5,000,000	4,900,000	5,000,000
<b>Marketing and sales</b>			
To set up new sales offices in the mid West/ West coast of the US and in some major cities of the PRC for expansion and strengthening of its distribution network			
To advertise and promote the Group's products	5,000,000	4,000,000	5,000,000
<b>Others</b>			
To use as general working capital	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
<b>TOTAL</b>	<u><u>39,000,000</u></u>	<u><u>37,900,000</u></u>	<u><u>37,000,000</u></u>

As disclosed in the sub-paragraph headed "Cash position" under the paragraph headed "Indebtedness Statement" above, as at 30th May 2002, the Group has cash and bank balances of approximately HK\$2.0 million free of charges, pledges or encumbrances. The amount represents the listing proceeds planned to be used up to 31st December 2002.

## **Summary of auditors' report on fundamental uncertainty relating to the going concern basis of the Group**

Pursuant to the annual report of the Group for the year ended 31st December 2001 dated 30th April 2002, the auditors of the Group disclaimed their opinion because of the significance of the fundamental uncertainty relating to the going concern basis of the Group. The following is a summary of auditors' report in relation to the going concern qualification:

In forming their opinion, they 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 of the Company 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.

### **Directors' opinion on going concern issue**

As mentioned under paragraph headed "Working capital", the Board is of the opinion that the Advance and the Proposed Banking Facility made available to the Group will alleviate the financial pressure that the Group is currently facing and will improve its financial position as business of the Group resumes to normal, which in turn, will resolve the going concern issue of the Group. On such basis, the Board is of the opinion that, the Group will have sufficient working capital to satisfy its present requirements and hence, resolve the going concern issue.

### **Resumption of trading**

At the request of the Company, trading of shares of the Company on the Stock Exchange was suspended effective from 10:42 a.m. on 8th March 2002 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the securities of the Company with effect from 9:30 a.m. on 31st May 2002.

**Investors/shareholders are advised to exercise extreme caution in dealing in the securities of the Company.**

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

Hong Kong, 30th May 2002

*This announcement, for which the directors of the Company, 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 of the Company, 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.*