

# Leaptek Limited

Interim Report  
**2002**

The directors present the unaudited financial statements and condensed accounts of the Group for the six months ended 30th September, 2002. This unaudited financial statements and condensed accounts were reviewed by the Audit Committee of the Company.

## **INTRODUCTION**

As a result of shareholders of the Company requisitioning a special general meeting ("SGM") of the Company held on 21st June, 2002, all former directors (except one independent non-executive director) resigned prior to the SGM or were removed at the SGM, and a new board of directors ("Current Directors") was elected.

The Company had announced on 29th April, 2002 that the Group was experiencing financial and operational difficulties which resulted in the Company's state inability to satisfy the requirement of maintaining tangible assets of sufficient value or a sufficient level of operation for continuing listing. Trading in shares of the Company has been suspended since 23rd April, 2002 and remains suspended as of the date of this Report. The Company has been placed in the second stage of the de-listing procedure according to the Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Current Directors have taken all reasonable steps and have used their best endeavours to prepare the financial results for the period under review as well as to disclose in this report relevant information of the Group as required by the Listing Rules and the statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants. However, further to the Company's announcements made on 18th July, 2002, 1st August, 2002 and the Chairman Statement of the 2002 Annual Report, the Current Directors are still unable to access all the books and records (which are believed to be located in Shanghai) from the former directors and management. In view of the inability to control those operating subsidiaries, the Current Directors are of a view that those companies can no longer be treated as subsidiaries of the Company. Accordingly, these companies are treated as short-term investments in the Group's financial statements with effect from 1st April, 2002, the date when the latest financial information of these companies are available to the Group.

For the period under review, save for the transactions after 21st June, 2002 under the management of the Current Directors, the Current Directors do not have all the records to prepare accurate and complete financial statements for the Company or its subsidiaries. As a result, the Current Directors disclaim any liabilities on the financial statements of the Group for the period under review and the information of the Group disclosed in this report, including but not limit to, the completeness of recording of transaction entered into by the Group for the period from 1st April, 2002 to 21st June, 2002 and of the completeness of disclosure of claims, commitments and contingent liabilities in this interim financial statements.

## **BUSINESS AND FINANCIAL REVIEW**

In preparing the financial statements, the Current Directors have given careful consideration to the going concern of the Group due to working capital deficiency. Against this background, the Company is currently seeking potential investors so as to obtain an injection of new funding or new businesses into the Group. Accordingly, this Interim Report was prepared on a going concern basis.

During the period under review, there was no turnover for the Group because the operating subsidiaries in the Group has been reclassified to short-term investments with effect from 1st April, 2002 by the Current Directors as discussed above.

The Company only has a minimal cash reserve. A substantial shareholder has provided the funding for daily operations by granting to the Company a loan which is secured by the Group's listed and unlisted investments. As at 30th September, 2002, the amount due to this shareholder amounting to HK\$444,000, which is repayable on demand, secured by certain investments of the Group and bears interest at prime plus 2% per annum. The Current Directors are not aware of any long-term loan or commitments incurred by the Group and the Company based on the limited information available. Due to the incomplete information available, calculations of financial ratios are deemed inappropriate.

As at 30th September, 2002, the Group did not have any employees other than the Current Directors.

There were no share options outstanding as at 30th September, 2002 and the Company has not adopted any valid share option scheme.

#### **FUTURE PROSPECT**

Trading in the shares of the Company was suspended since 23rd April, 2002.

The Current Directors are reviewing restructuring plans with a view to submit a resumption proposal to the Stock Exchange within a short period of time once the plan is finalized.

The Current Directors will continue to try to recover the Group's assets including the books and records from the former management.

#### **ADOPTION OF CHINESE NAME**

Pursuant to a special resolution passed at the Annual General Meeting held on 24th October, 2002, the Company has adopted "力特有限公司" as the Chinese name of the Company to replace the former name "力普有限公司" for identification purpose only.

#### **DIRECTORS' INTERESTS IN SHARES**

At 30th September, 2002, none of the directors, the chief executive or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the following interests in shares in the Company were recorded in the register maintained by the Company under Section 16(1) of the SDI Ordinance:

<b>Name of shareholders</b>	<b>Number of ordinary shares of HK\$0.01 each held</b>
Ace Smart Assets Limited	159,051,090 <i>(Note 1)</i>
Super China Development Limited	127,289,300 <i>(Note 2)</i>
Universal Holdings Limited	127,289,300 <i>(Note 2)</i>
Kwan Wing Holdings Limited	127,289,300 <i>(Note 2)</i>

### Notes:

1. Ace Smart Assets Limited is wholly owned by Mr. Yeung Wing Sang.
2. These interests are held by Super China Development Limited, a wholly-owned subsidiary of Universal Holdings Limited ("UHL") whose shares are listed on the Stock Exchange. At 30th September, 2002, Mr. Ko Chun Shun, Johnson has in total approximately 36% direct and indirect interests in UHL through his interest in Kwan Wing Holdings Limited.

Other than the aforesaid shareholders and the interest as disclosed in Directors' Interests in Shares above, the register required to be maintained under Section 16(1) of the SDI Ordinance showed that the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company as at 30th September, 2002.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Based on the information available to the Current Directors, during the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

In light of the insufficient and incomplete records available to the Current Directors, the Current Directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period from 1st April, 2002 to 21st June, 2002.

In view of the insufficient and incomplete records left by the former management, the Current Directors did not publish the annual report for the year ended 31st March, 2002 until 27th September, 2002 which constituted a breach of Paragraphs 10(1) and 11(6) of the Listing Agreement.

Save for the foregoing, none of the Current Directors is aware of any information that would reasonably indicate that Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix of the Listing Rules since they took over the Board on 21st June, 2002.

On 24th June, 2002, the Company established an audit committee with written terms of the reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The audit committee comprises the non-executive Chairman, Mr. Wilton Timothy Carr Ingram and two independent non-executive directors, namely Mr. Ha Shu Tong, Albert and Mr. Lau Kwok Kuen.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th September, 2002

		For the six months ended 30th September,	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	—	4,979
Costs of sales		—	(4,487)
Gross profit		—	492
Other revenue		—	13
Administrative expenses		(5,810)	(13,154)
Gain (Loss) on disposal of a subsidiary		313	(1,224)
Net realised and unrealised loss on trading and other securities carried at fair value		—	(33,860)
Loss from operations	3	(5,497)	(47,733)
Finance costs		—	—
Loss before taxation		(5,497)	(47,733)
Taxation	4	—	—
Loss for the period		(5,497)	(47,733)
		<b>HK cents</b>	<i>HK cents</i>
Loss per share	6		
Basic		(0.7)	(6.4)

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30th September, 2002 and 31st March, 2002

	Notes	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	7	—	36
Other investments	8	1,892	6,862
		<b>1,892</b>	6,898
<b>Current Assets</b>			
Trade and other receivables	9	—	13,323
Bank balances and cash		5	19,909
		<b>5</b>	33,232
<b>Current Liabilities</b>			
Trade and other payables	10	3,762	29,837
Amount due to a shareholder	11	444	5,691
Short-term loan		—	1,414
		<b>4,206</b>	36,942
<b>Net Current Liabilities</b>		<b>(4,201)</b>	(3,710)
<b>Total Assets less Current Liabilities</b>		<b>(2,309)</b>	3,188
<b>Capital and Reserves</b>			
Share capital	12	43,433	43,433
Reserves		(45,742)	(40,245)
		<b>(2,309)</b>	3,188

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th September, 2002

	Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(445)	(5,889)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(19,903)	(133)
NET CASH INFLOW FROM FINANCING	444	—
DECREASE IN CASH AND CASH EQUIVALENTS	(19,904)	(6,022)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	19,909	9,207
CASH AND CASH EQUIVALENTS AT 30TH SEPTEMBER	5	3,185
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	5	3,185

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2002

	Ordinary share capital <i>HK\$'000</i>	Preference share capital <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002	7,421	36,012	51,111	266,076	(357,432)	3,188
Loss for the period	—	—	—	—	(5,497)	(5,497)
At 30th September, 2002	7,421	36,012	51,111	266,076	(362,929)	(2,309)
At 1st April, 2001	7,421	36,012	51,111	266,076	(301,518)	59,102
Loss for the period	—	—	—	—	(47,733)	(47,733)
At 30th September, 2001	7,421	36,012	51,111	266,076	(349,251)	11,369

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- (a) In preparing the financial statements, the Current Directors have given careful consideration to the going concern of the Group in the light of net current liabilities and net deficit position of approximately HK\$4,201,000 and HK\$2,309,000 respectively as at 30th September, 2002.

The Company had 24,178,700 outstanding preference shares of HK\$1.0 each which should have been redeemed at par on 22nd October, 2001. On 15th October, 2001, the Company received a demand letter from a preference shareholder, who holds 24,137,700 preference shares of HK\$1 each, requesting for the redemption of the preference shares. As a result, the Group faced financial difficulties due to the working capital deficiency.

Against this background, the Company is currently seeking potential investors so as to obtain an injection of new fundings or new businesses into the Group. Accordingly, this interim financial statements was prepared on a going concern basis.

- (b) The Current Directors have taken all reasonable steps and have used their best endeavours to prepare the financial results for the period under review and the disclosure of relevant information of the Group as required by the Listing Rules and the statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants. However, further to the Company's announcements made on 18th July, 2002, 1st August, 2002 and the Chairman Statement of the 2002 Annual Report, the Current Directors of the Company are still unable to access all the books and records (which are believed to be located in Shanghai) from the former directors and management. In view of the inability to control those operating subsidiaries, the Current Directors are of a view that those companies can no longer be treated as subsidiaries of the Company and as a result, those companies are treated as short-term investments in the Group's financial statements with effect from 1st April, 2002, the date the latest financial statements of these companies are available.

For the period under review, save for the transactions after 21st June, 2002 under the management of the Current Directors, the Current Directors do not have complete records and information to prepare the financial statements of the Company or its subsidiaries. As a result, the Current Directors disclaim any liabilities on the financial statements of the Group for the period under review and the information of the Group disclosed in this report, including but not limit to, the completeness of recording of transaction entered into by the Group for the period from 1st April, 2002 to 21st June, 2002 and of the completeness of disclosure of claims, commitments and contingent liabilities in this Interim Report.

## 2. TURNOVER AND SEGMENT INFORMATION

The Group's turnover and operating results for the six months ended 30th September, 2002, analysed by principal activity and geographical location of operations, are as follows:

	Turnover		Operating results	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By principal activity:				
Continuing operations				
Manufacture and distribution of computer related products	—	4,834	—	(12,654)
Professional service fees	—	145	—	5
Unallocated costs	—	—	(5,497)	—
	—	4,979	(5,497)	(12,649)
By geographical location of operation:				
The People's Republic of China (the "PRC")				
Hong Kong	—	—	(5,497)	—
Elsewhere	—	4,979	—	(12,649)
	—	4,979	(5,497)	(12,649)

## 3. LOSS FROM OPERATIONS

	Six-month ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Interest income	—	(13)
Depreciation of owned assets	—	51
Net gain on sale of fixed assets	—	(377)
Redundancy payment	105	5,515
Unrealised loss on other investments	4,970	—
Bad debts written-off	299	—

## 4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period.

## 5. DIVIDENDS

The directors do not recommend any payment of dividends for the six months ended 30th September, 2002 (2001: nil).

## 6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the six months ended 30th September, 2002 of HK\$5,497,000 (2001: HK\$47,733,000) and the weighted average of 742,094,359 (2001: 742,094,359) shares in issue during the period.

There was no dilutive potential ordinary shares in 2001 and 2002 and therefore no diluted loss per share for the period is shown.

## 7. FIXED ASSETS

The Group's opening net book value of fixed assets of HK\$36,000 was disposed of on the disposal of subsidiaries.

## 8. OTHER INVESTMENTS

		<b>30th September, 2002</b>	31st March, 2002
		<b>HK\$'000</b>	<b>HK\$'000</b>
Listed shares in Hong Kong, secured	11	1,892 (Note 1)	6,862
Market value of listed shares		5,449 (Note 2)	6,862

At 30th September, 2002, the particulars of the principal investments are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
DigiTel Group Limited	The Cayman Islands	Provision of system integration services	40,362,571 ordinary shares of HK\$0.1 each	3.53%

Notes:

- based on the latest net assets values of DigiTel Group Limited at 30th June, 2002 and its quarterly results for the 3 months ended 30th September, 2002.
- based on the last trading price before the suspension of trading DigiTel Group Limited on the Stock Exchange on 2nd July, 2002.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30th September, 2002</b>	31st March, 2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade debtors	—	2,406
Other receivable	—	10,917
	—	13,323

**10. TRADE AND OTHER PAYABLES**

	<b>30th September, 2002 HK\$'000</b>	31st March, 2002 HK\$'000
Trade creditors	—	2,255
Other payables	<b>3,762</b>	27,582
	<b>3,762</b>	29,837

**11. AMOUNT DUE TO A SHAREHOLDER**

The amount due to a shareholder is repayable on demand, secured by certain investments of the Group and bears interest at prime plus 2% per annum.

**12. SHARE CAPITAL**

	<b>Ordinary shares of HK\$0.01 each</b>		<b>Convertible cumulative non-voting preference shares of HK\$1.00 each</b>		<b>Convertible cumulative non-voting preference shares of HK\$0.10 each</b>		<b>Total HK\$'000</b>
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>	
Authorised:							
At 31st March, 2001, 30th September, 2001, 31st March, 2002 and 30th September, 2002	3,000,000,000	30,000	50,000,000	50,000	350,000,000	35,000	115,000
Issued and fully paid:							
At 31st March, 2001, 30th September, 2001, 31st March, 2002 and 30th September, 2002	742,094,359	7,421	24,178,700	24,179	118,333,333	11,833	43,433

**13. OPERATING LEASE COMMITMENTS**

Based on the information available to the Current Directors, the Group did not have significant operating lease commitment at 30th September, 2002 and 31st March, 2002.

**14. CAPITAL COMMITMENTS**

At 30th September, 2002, the Group had capital commitments based on the disclosure in the Interim Results of 2001 but as explained in note 1, no sufficient information is available in respect of any details of such capital commitment of the Company.

	<b>30th September, 2002 HK\$'000</b>	31st March, 2002 HK\$'000
Contracted for but not provided in the financial statements in respect of the capital contributions to its PRC subsidiaries	<b>30,600</b>	30,600

**15. CONTINGENT LIABILITIES**

The Current Directors noted from an announcement dated 29th April, 2002 issued by the former directors that a verbal demand notice was received from one of the creditors demanding immediate settlement of the outstanding debts of RMB9,600,000 of the Group. The Current Directors are not have any knowledge or any documents to believe that such transaction is existing, valid and properly authorized. Save as aforesaid, the Current Directors are not aware of any contingent liabilities of the Group at 30th September, 2002 based on the limited available information.

**16. MATERIAL RELATED PARTIES TRANSACTIONS**

No information was available in respect of material related parties transaction and connected transactions during the period from 1st April, 2002 to 21st June, 2002. Based on the disclosure in the Interim Reports of 2001 and the information available to the Current Directors, the Group had the following material related parties transactions:

	<b>Six-month ended 30th September,</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<i>HK\$'000</i>
Purchase of goods	—	4,348
Rental expenses	—	645
Advances from a former shareholder	—	4,401
Loan from a shareholder	<b>444</b>	—

**17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation of current period.