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AKuP International Holding Limited

艾克國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

CLARIFICATION TO THE ANNUAL RESULTS ANNOUNCEMENT

The directors of the Company (the "Directors") wish to make certain clarification to the Annual Results Announcement in relation to the reasons for the disclaimer of opinion expressed by the auditors of the Company on the auditors' report for the year ended 31 December 2002.

Investors and Shareholders should exercise caution in dealing in the shares of the Company. The Stock Exchange is looking into the above matter and has indicated it reserves its rights to take appropriate action. Further announcement would be made if and when appropriate.

Reference is made on the Annual Results Announcement of the Company published on the GEM website on 26 March 2003. The Directors would like to draw the attention of our shareholders regarding the disclaimer of opinion expressed by the auditors of the Company on the auditors' report.

Below is an extract of the basis of opinion and emphasis of matter included in the auditors' report:

"Basis of opinion

1. *The Group consolidation includes a subsidiary, AKuP Software Development Holding Ltd which operates mainly in Taiwan. The subsidiary has solicited sales of HK$19,497,280 through distributors and contributed a profit of HK$19,497,280. We have not been able to obtain adequate assurance concerning the validity of these amounts included in the consolidated financial statements and, consequently we are unable to satisfy ourselves as to whether the sales and profit respectively of HK$19,497,280 and the accounts receivable of HK$19,497,280 arising from the sales are fairly stated.*

2. *The following amounts have been included in the consolidated financial statements.*

   — *Prepayments of consultancy fees of HK$2,438,396*

   — *Acquisition costs of software of HK$5,789,052*

We are unable to obtain adequate third party supporting documentations in relation to the above payments. Accordingly, we have been unable to satisfy ourselves as to whether these amounts are fairly stated in the financial statements.

3. *Included in the investment in the consolidated balance sheet as at December 31, 2002 are:*

   a. *a 6% equity investment in an unlisted company in the People's Republic of China, representing RMB857,250 (HK$807,660) out of the total registered capital of RMB14,287,500 (HK$13,460,995) at an investment cost of HK$8,000,000. The audited financial statements of the investee company shows a net tangible assets of RMB19,447,857 (HK$18,322,835) as at December 31, 2002.*

   b. *a 12% equity investment in an unlisted company in the British Virgin Islands with a paid up capital of US$2,450,000 (HK$19,110,000) at an investment cost of US$1,000,000 (HK$7,800,000). The auditors' report of the investee company contained a qualified opinion in that they were unable to express an opinion on the value of the inventory of NT$25,211,875 (HK$5,657,961).*

Given the operating results and the financial positions of the above investee companies, we were unable to determine whether these investments are fairly stated and therefore whether a provision for any impairment of the investment is necessary.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the Group's acquisition of a 6% interest of the issued share capital of Beijing ZYD Software Co. Ltd. on December 21, 2001 for a consideration of HK$8,000,000, details of which are referred to in paragraph 3(a) above. The title to the investment has not been registered in the Company's name as the Chinese party has not filed the relevant documents to the relevant PRC authority to grant formal approval for equity transfer. It is the responsibility of the *management to ensure that the approval is granted. The Directors consider that formal approval will be granted and the formality will be completed in the near future, and will have no material impact on the financial position and operations of the Group."*

In respect of the sales of HK$19,497,280 solicited by a subsidiary of the group, AKuP Software Development Holding Limited of which HK$5,301,280 from March 2002, HK$6,942,000 from June 2002, HK$3,627,000 from August 2002 and HK$3,627,000 from September 2002 with payment terms of 90 to 120 days, the Directors confirm that all such sales were entered between the subsidiary and independent distributors and then by the distributors alone with the resellers before the end-users. Due to the delay in collection of outstanding balances by the distributors, the payment terms were subsequently revised by repayment agreements entered between the subsidiary and the distributors in February and March 2003 and the distributors agreed to settle HK$12,324,000 in March 2003 and the remaining balances of HK$7,173,280 on or before 30 June 2003. As at the date of this announcement, the Group received a total sum of HK$12,400,359 as partial settlement in accordance with the repayment agreements and the remaining balances of HK$7,096,921 will be settled on or before 30 June 2003. In this regard, the Directors have provided the sales contracts signed between the subsidiary and the distributors, revised repayment agreements signed with the distributors and related order confirmation with the resellers to the auditors of the Company. In addition, the auditors of the Company have requested audit confirmations with the distributors and all confirmations have been returned without discrepancies. However, the Directors are not able to obtain the sales contracts from the distributors and resellers, which were signed between the distributors and resellers, and between the resellers and end-users respectively and confidential in nature, for consideration by the auditors of the Company. As a result, the auditors of the Company have not been able to obtain adequate assurance concerning the validity of these amounts included in the consolidated financial statements and, consequently they are unable to satisfy themselves as to whether the sales and profit respectively of HK$19,497,280 and the accounts receivable of HK$19,497,280 arising from the sales are fairly stated.

In respect of the prepayments of consultancy fees of HK$2,438,396 which were authorised by the Directors, the Directors confirm that such fees were incurred for the consultancy services on the development of the Group's software products for various industries such as eBrokerage for securities industry and eFinancial Consultant System ("eFC System") for banking industry for a period of 12 to 18 months from April 2002 to December 2003, and for the financial consulting services for a period of 2 years from October

2002 to September 2004. In this regard, the Directors have provided the related consultancy agreements dated between March 2002 and November 2002 which were signed between the group companies and independent consultants and related correspondences and documentation such as user requirements for development of the Group's software products for consideration by the auditors of the Company. However, the auditors of the Company were still unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

In respect of the acquisition costs of software of HK$5,789,052 which were authorised by the Directors, the Directors confirm that the software were acquired from independent third parties in March and December 2002 to generate future revenues for the Group as several projects are on hand and expect to be completed in 2003. The software acquired by the Group are used for data migration from raw data to usable data for the Group's eBrokerage and eFC System and another software for development of eGovernment solutions. As the Group's eBrokerage and eFC System requires usable data for its applications instead of raw data in the existing securities and banking systems. Without usable data, eBrokerage and eFC System will not be able to perform functions. Due to the development of eGovernment solutions is specific in nature, the Group cannot develop such solutions in a short period of time without the use of internal workflow provided by the software. In this regard, the Directors have provided the related outsourcing agreements for software development signed between a subsidiary of the Group and the suppliers and related sales invoices as well as other documentation such as user requirements for software development for consideration by the auditors of the Company. As such software are outsourced for development, the prices were negotiated at an arm's length basis as there are no comparable software in the market. However, the auditors of the Company were still unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

In respect of the 6% equity investment in an unlisted company in the People's Republic of China (the "PRC") and a 12% equity investment in an unlisted company in the British Virgin Islands ("BVI"), the Directors confirm that the Group did not acquire these two equity investments for trading purposes but as long term investments to form strategic alliances with the investee companies in the PRC, which is the major geographical segment for the Group's revenue. The considerations of both investments were arrived at after arm's length negotiations and based on the Company's internal evaluation. In addition, the Group's overall business objective is to become a leading customer relationship management software provider in the greater China region. As a result, the Directors believe that the fair values of these investments are not represented by the net assets value alone but also taken into consideration of the future economic benefits which may bring by such investments. According to the audited accounts of both investee companies, their operating results are profitable in the year of 2002, of which the PRC's investee company recorded a net profit of RMB6,837,658 (HK$6,441,384) and the BVI's investee company recorded a net profit of NT$14,391,150 (HK$3,229,612) for the year ended 31 December 2002. The audited accounts of the BVI's investee company was qualified in the way that its auditors were unable to express an opinion on the value of inventory of NT$25,211,875 (HK$5,657,961) without performing a stocktake and no other satisfactory procedures that they could be adopted. As at 31 December 2002, the PRC's investee company reported a net tangible assets of RMB19,447,857 (HK$18,320,764) and the BVI's investee Company reported a net tangible assets of NT$67,463,230 (HK$15,139,863). The Directors believe that such investments are fairly stated in the consolidated balance sheet as at 31 December 2002 and no provisions for any impairment of such investments are required accordingly. However, the auditors of the Company are of the opinion that given the operating results and the financial positions of the investee companies, they were unable to determine whether these investments are fairly stated and therefore whether a provision for any impairment of the investment is necessary.

In respect of the "Emphasis of Matter" in the auditors' report, the title to the investment has not been registered in the Company's name as the Chinese party has not filed the relevant documents to the relevant PRC authority to grant formal approval for equity transfer. As at the date of this announcement, the Directors confirm that the Chinese party has filed the relevant documents to the relevant PRC authority and consider that formal approval will be granted and the formality will be completed in the near future, and will have no material impact on the financial position and operations of the Group. The Company will issue a further announcement on any material development in relation to the formal approval for equity transfer by the relevant PRC authority.

Investors and Shareholders should exercise caution in dealing in the shares of the Company. The Stock Exchange is looking into the above matter and has indicated it reserves its rights to take appropriate action. Further announcement would be made if and when appropriate.

By Order of the Board
AKuP International Holding Limited
HU Shin-Min, Alex
President & Chief Executive Officer

Taipei, Taiwan, 31 March 2003

* *For identification purpose only*

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.