On 21 August 2002, being the date of completion of the restructuring, all the then existing directors of the Company (the "Former Directors") resigned and new directors of the Company (the "Current Directors") were appointed.

Under normal circumstances, directors of a company should take all reasonable steps to ensure that company has maintained proper books and records and to comply with all relevant regulatory requirements.

The Current Directors have taken all reasonable steps and have used their best endeavours to prepare the annual report for the year under review as well as to disclose in this report relevant information of the Group as required by the Listing Rules and the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. However, due to the liquidation of the Company and changes in management, certain underlying books and records of the Group were either lost, or could not be located and hence, the extent of work of the Current Directors were limited to those company books and records passed to them by the Former Directors of the Company. The Current Directors disclaim any liabilities on the financial statements of the Group for the year under review and the information of the Group disclosed in this report for reasons which included the significance of the possible effects of the incomplete books and records of the Group.

Because of the significance of the above matters, the Current Directors were unable to satisfy themselves as to whether the financial and other information of the Group contained in this annual report are complete and accurate.

CONSOLIDATED ACCOUNTS

The enclosed consolidated financial statements, which were prepared by the Former Directors, included the results of the subsidiaries that form part of the restructured group. The subsidiaries, which are in the course of liquidation for which the appointed liquidators have assumed overall control, are not consolidated according to SSAP 32. In view of the financial status of these subsidiaries, that certain books and records of these remaining subsidiaries have been mislaid and that they do not form part of the restructured group, these subsidiaries were not consolidated in the accounts of the Company for the year ended 31 March 2002, because the cost of obtaining information in relation to these subsidiaries would exceed the value of information to the members of the Group. The non-consolidation of certain subsidiaries of the Group as explained in the financial statements leads to reduction in the turnover, the cost of sales and other operating expenses of the Group for the year ended 31 March 2002, as well as reduction in the amount of non-current assets, current assets, non-current liabilities and current liabilities as at 31 March 2002.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2002, the current liabilities of the Group reduced from approximately HK$412 million as at 31 March 2001 to approximately HK$399 million as at 31 March 2002 by approximately 3%. The net current liabilities of the Group increased from approximately HK$150 million as at 31 March 2001 to approximately HK$397 million as at 31 March 2002 by approximately 165% reflected serious cash flow problems of the Group before the completion of restructuring of the Group.

INDEBTEDNESS

The Group recorded total net liabilities of approximately HK$256 million as at 31 March 2002 and was subsequently released upon the completion of restructuring of the Group in August 2002. Out of the total indebtedness, approximately 5% of the liabilities were denominated in Reminbi, and the rest are denominated in Hong Kong dollars. Before the completion of restructuring as mentioned above, the bankers of the Group had called all outstanding advances and loans, which fell due immediately as at 31 March 2002. As a result, the Group's gearing ratio reduced from approximately 6% as at 31 March 2001 to nil as at 31 March 2002 on the basis that the gearing ratio represents the total amount of long-term loans divided by the sum of the shareholders' funds and the amount of long-term loans.

WORKING CAPITAL

The ultimate holding company of the Group, Yue Fung International Group Holding Limited (the "Yue Fung") and its controlling shareholder, Simply Noble Limited, have agreed to provide, in equal proportion, a total of HK$30,000,000 cash to the Group for its working capital requirements through the issuance of the 5 years convertible notes. Such HK$30 million is currently planned to be applied to restore the operations of Dongguan factory. About HK$20 million will be used for acquiring and reconditioning machinery and utilities, trial running of materials and consumables as well as procuring materials and the balance of about HK$10 million for financing operating overheads.

THE WHITEWASH WAIVER

Immediately upon the completion of restructuring, A-Max (Asia) Limited, the wholly owned subsidiary of Yue Fung, was interested in about 97% of the enlarged issued share capital of the Company. Pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers, A-Max (Asia) Limited is obliged to make a general offer for all the shares other than those already held by A-Max (Asia) Limited and parties acting in concert with it. On 25 July, 2002, the waiver application of the obligation to make a general offer for the shares was approved and granted by the Securities And Futures Commission.

FUTURE PLANS AND PROSPECT

It is our intention to restart and revitalize the operations as soon as practicable and the mass production is expected to be incurred in the mid of September, 2002. The Group will continue to formulate long-term business plans and develop new business strategies. After a thorough review of the restructured Group, the Group intends to focus on the Group's core business of manufacturing and development of the most profitable LCD business and discontinue those loss-making businesses.