

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the period ended 30 September 2001*

**1. GENERAL**

The Company was incorporated as an exempted company in Bermuda with its shares listed on the Stock Exchange. The trading of the Company's shares on the Stock Exchange had been suspended since 23 May 2001. Following the completion of the Group Restructuring, the trading in the shares of the Company on the Stock Exchange resumed on 23 August 2002.

The Company acts as an investment holding company.

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting (the "Special General Meeting") held on 12 August 2002, the name of the Company was changed from Kessel International Holdings Limited to A-Max Holdings Limited effective from 4 September 2002. Upon the change of name of the Company, the Chinese translation of the Company for identification purposes was changed from 佳信科技集團有限公司 to 奧瑪仕控股有限公司.

On 21 August 2002, the board of directors of the Company (the "Board") appointed Mr. Li Wing Bun, Mr. Lee Wing Chan and Ms. Ching Mei Yee as the executive directors of the Company and Mr. Gordon Ng and Mr. Ng Wai Hung, Raymond as the independent non-executive directors of the Company. Mr. Li Wing Bun, Mr. Lee Wing Chan, Ms. Ching Mei Yee, Mr. Gordon Ng and Mr. Ng Wai Hung, Raymond are collectively referred to as the "Current Directors."

On the same date, the Board accepted the resignation of Mr. Shun Wing Chiu and Mr. Lam Chi Kong as the executive directors of the Company. Mr. Shun Wing Chiu and Mr. Lam Chi Kong are collectively referred to as the "Former Directors."

**2. COMPLETION OF THE GROUP RESTRUCTURING**

According to the announcement of the Company dated 22 August 2002, all the conditions precedent under the Restructuring Agreements had been satisfied and the completion of the Group Restructuring took place on 21 August 2002. In addition, the effective date of the Capital Restructuring (as defined in the Composite Document) and the issuance of convertible notes was 21 August 2002.

The Provisional Liquidators resigned on 21 August 2002.

Immediately after the completion of the Group Restructuring, A-Max (Asia) Limited became the substantial shareholder of the Company.

**3. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT**

As explained under the sections headed "Financial results for the period under review and information in this report" in the "Chairman's letter" in this report, although the Current Directors have used their best endeavours to relocate all the financial and business records of the Group as all the former directors (including the Former Directors) of the Company, former senior management and former accounting personnel of the Group have left the Group, the Current Directors have been unable to locate sufficient documentary information to satisfy themselves regarding the matters described below and accordingly, disclaim any responsibilities and liabilities that may arise there from.

The Current Directors are unable to represent as to the completeness of recording of the transactions entered into by the Group for the period from 1 April 2001 to 30 September 2001 and of the completeness of disclosure of claims, commitments, contingent liabilities, pledge of assets and related party transactions and balances in the condensed consolidated financial statements as at 30 September 2001.

**4. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current period, the Group has adopted, for the first time, a number of revised and new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these revised and new SSAPs has led to a change in the Group's accounting policies. In addition, the revised and new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Certain comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

The adoption of these revised and new SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

**Dividend proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) "Event after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment on derecognition of liability for final dividend for 2000 amounting to HK\$7,360,000.

**5. TURNOVER**

Turnover in the current period represents the net amounts received and receivable from assembly services rendered to subsidiaries not consolidated. An analysis of geographical segments of the Group's turnover for the six months ended 30 September 2000 is as follows:

	<b>(Unaudited)</b>
	HK\$'000
Asia	136,727
Europe	229,047
United States of America	119,218
Mexico	4,065
Others	16,271
	<u>505,328</u>

**6. FINANCE COSTS**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank borrowings wholly repayable within five years	–	5,002
Interest on obligations under a finance lease and a hire purchase contract	–	616
	<u>–</u>	<u>5,618</u>

**7. TAX**

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the period.

**8. DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: Nil).

**9. LOSS PER SHARE**

The calculation of the basic loss per share is based on the Group's loss for the period of HK\$161,938,000 (2000: HK\$15,345,000) and on 320,000,000 (2000: 320,000,000) shares in issue during the period.

No dilutive potential shares were outstanding during either the current or prior period. Accordingly, no amount is presented for diluted loss per share.

**10. TRADE AND OTHER RECEIVABLES**

The Group allows an average credit period of 30 days to its trade customers. An aged analysis of trade receivables is as follows:

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
0-30 days	-	31,139
31-60 days	-	126
61-90 days	-	1,354
Over 90 days	<b>43</b>	5,602
	<hr/>	<hr/>
	<b>43</b>	38,221
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**11. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Unaudited Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
At 30 September 2001 and 31 March 2001	1,000,000,000	100,000
Issued and fully paid		
At 30 September 2001 and 31 March 2001	320,000,000	32,000

There were no movements in the Company's share capital during the period.

## 12. RESERVES

	Accumulated							Total
	Share premium	Dividend reserve	profits (losses)	Special reserve	Translation reserve	Contributed surplus	Goodwill reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>								
At 1 April 2000								
- as originally stated	69,823	-	195,040	(22,470)	(25)	-	-	242,368
- as adjusted for derecognition of liability for final dividend for 2000	-	7,360	-	-	-	-	-	7,360
	69,823	7,360	195,040	(22,470)	(25)	-	-	249,728
Net loss for the year	-	-	(137,958)	-	-	-	-	(137,958)
Dividend paid	-	(7,360)	-	-	-	-	-	(7,360)
Goodwill on acquisition of addition shares in a subsidiary	-	-	-	-	-	-	(117)	(117)
Goodwill written off	-	-	-	-	-	-	117	117
Exchange differences arising on translation of overseas subsidiaries	-	-	-	-	(92)	-	-	(92)
	69,823	-	57,082	(22,470)	(117)	-	-	104,318
Net loss for the period	-	-	(161,938)	-	-	-	-	(161,938)
	69,823	-	(104,856)	(22,470)	(117)	-	-	(57,620)

The special reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition pursuant to the corporate reorganisation and capitalisation in paying up 1,000,000 nil paid shares prior to the listing of the Company's shares.

**13. OUTSTANDING LITIGATION**

There is one litigation against one of the Company's subsidiaries, Dongguan Kepo Electronics Limited ("Dongguan Kepo"), of which judgment has not been entered.

On 10 May 2002, a vendor of Dongguan Kepo served a writ of summons against Dongguan Kepo in respect of goods alleged to have been purchased by Dongguan Kepo during the period from December 2000 to September 2001 for a principal sum of approximately HK\$474,000. Dongguan Kepo has defended vigorously the lawsuit at the court's hearing held on 29 May 2002 and 21 August 2002. The Dongguan People's Court has yet to consider the submissions made by both parties before any rulings can be made. Pending to hear any possible ruling from the Dongguan People's Court, the Current Directors are unable to determine the outcome of the action. Against this background, the Current Directors consider that the assessment of the quantum of damages and liabilities or damages, which might arise in connection with this matter has been made in the financial statements.

**14. COMMITMENTS**

**The Group**

Pursuant to a contract entered into between one of the Company's subsidiaries and an independent party in the PRC where one of the Group's factories is located, the Group is committed to pay to the independent party an annual management fee of HK\$260,000 at an increment of 10% per five years interval.

Pursuant to the same contract, the Group was also committed to pay to that independent party an annual service fee of HK\$975,000 up to August 2003 and thereafter on a pre-determined basis with reference to the number of employees in the aforementioned factory and at an increment of 10% per five years interval.

**The Company**

The Company did not have any significant commitments at the balance sheet date.

**15. RELATED PARTY TRANSACTIONS AND BALANCES**

No financial information in respect of related party transactions for the six months ended 30 September 2001 and 30 September 2000 and balances as at 30 September 2001 and 31 March 2001 has been presented as the information is not available.