

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the period ended 30 September 2002*

### 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 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 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 dated 19 July 2002) 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, a wholly-owned subsidiary of Yue Fung, became the substantial shareholder of the Company.

### 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim results for the six months ended 30 September 2002 have been prepared in accordance with SSAP No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules.

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 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. Up to the date of this report, the Current Directors are not aware of any material adjustments that should be made to the financial statements.



#### 4. IMPACT OF NEW HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The accounting policies adopted and methods of computation used in the preparation of these financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2002 except that the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 1 (Revised): "Presentation of Financial Statements"
- SSAP 9 (Revised): "Events after the Balance Sheet Date"
- SSAP 15 (Revised): "Cash Flow Statements"
- SSAP 34: "Employee Benefits"

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed interim dividend which is declared and approved until after the balance sheet date, is no longer recognized as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the reserve section of the balance sheet date.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classified cash flows during the period into operating, investing and financing activities. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures are presented in accordance with the revised SSAP.

SSAP 34 prescribes the accounting and disclosure for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

## 5. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the LCD segment consisted of the manufacture and sale of LCD products; and
- (b) assembly services segment consisted of assembly services rendered to companies not involved in the Group Restructuring.

In determining the Group's geographical segment, turnover and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

5. SEGMENT INFORMATION *(Continued)*

## (a) Business segments

The following tables present turnover, results and certain asset, liability and expenditure information for the Group's business segments.

Group	LCD		Assembly services		Consolidated	
	Unaudited		Unaudited		Unaudited	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	3,785	-	-	12,740	3,785	12,740
Segment results	278	-	-	(24,671)	278	(24,671)
Other revenue					5,595	-
Write back of indemnified liabilities of companies not involved in the Group Restructuring					180,734	-
Write back of net amounts due to companies not involved in the Group Restructuring					255,120	-
Impairment loss recognised on property, plant and equipment					-	(2,990)
Impairment loss recognised on interests in companies not involved in the Group Restructuring					(106,271)	(85,676)
Provision for amounts due from companies not involved in the Group Restructuring					-	(48,601)
Other operating expenses					(2,219)	-
Profit/(loss) from operating activities					333,237	(161,938)
Finance costs					(88)	-
Profit/(loss) before tax					333,149	(161,938)
Tax					-	-
Net profit/(loss) from ordinary activities attributable to shareholders					333,149	(161,938)

**5. SEGMENT INFORMATION** *(Continued)*
**(a) Business segments** *(Continued)*

Group	LCD		Assembly services		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March
	2002	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	196,923	-	-	143,171	196,923	143,171
Total assets					196,923	143,171
Segment liabilities	83,553	-	-	18,462	90,553	18,462
Unallocated liabilities					-	380,427
Total liabilities					90,553	398,889

**(b) Geographical segments**

The following table presents certain assets for the Group's geographical segments.

Other segment information	Hong Kong		Elsewhere in the PRC		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March
	2002	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	29,473	8,757	167,450	134,414	196,923	143,171

No geographical segmental information was disclosed for the Group's turnover as all the turnover in current and last period were generated from Asia based customers.

**6. TURNOVER**

Turnover represents the invoiced value of goods sold during the period and net of trade discounts and returns. Turnover in last period represented the net amounts received and receivable from assembly services rendered to companies not involved in the Group Restructuring.

**7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

The Group's profit/(loss) from operating activities is arrived at after (charging)/crediting:

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Cost of sales	(3,131)	(22,711)
Depreciation	(241)	(7,428)
Staff costs	(280)	(3,892)
Write back of indemnified liabilities of companies not involved in the Group Restructuring	180,734	-
Write back of net amounts due to companies not involved in the Group Restructuring	255,120	-

**8. FINANCE COSTS**

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Interest on loans from fellow subsidiaries	88	-

**9. TAX**

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

**10. PROPOSED INTERIM DIVIDEND**

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Interim, proposed of HK\$0.001 (2001: Nil) per ordinary share	10,280	-

On 28 November 2002, the Directors recommended the declaration of an interim dividend of HK\$0.001 per ordinary share. This proposed dividend is not included as a liability in the consolidated balance sheet as at 30 September 2002.

**11. EARNINGS/(LOSS) PER SHARE**

The calculation of the basic earnings/(loss) per share is based on the Group's unaudited net profit attributable to shareholders for the six months ended 30 September 2002 of HK\$333,149,000 (2001: net loss of HK\$161,938,000) and the weighted average number of 2,465,792,000 ordinary shares (2001: 280,000,000 shares (restated), adjusted to reflect the share consolidation and share subdivision during the period).

The calculation of the diluted earnings per share is based on the Group's unaudited net profit attributable to shareholders for the six months ended 30 September 2002 of HK\$333,149,000 and the weighted average number of 4,105,137,000 ordinary shares (2001: Nil), as further stated below.

**11. EARNINGS/(LOSS) PER SHARE** *(Continued)*

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation to that used in the diluted earnings per shares calculation is as follows:

	<b>(Unaudited) 2002 '000</b>
Weighted average number of shares used in the basic earnings per share calculation	2,465,792
Weighted average number of shares assumed to have been issued on the deemed exercise of all convertible notes outstanding during the period	<u>1,639,345</u>
Weighted average number of shares used in the diluted earnings per share calculation	<u>4,105,137</u>

**12. ACCOUNTS RECEIVABLE**

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	<b>30 September 2002 (Unaudited) HK\$'000</b>	<b>31 March 2002 (Audited) HK\$'000</b>
0-30 days	537	-
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	43
	<u>537</u>	<u>43</u>

**13. LOANS FROM FELLOW SUBSIDIARIES**

Amount represented loan facilities provided by Yue Fung and its subsidiaries in respect of the Group Restructuring's costs and the working capital requirement of the Group. The balances have no fixed terms of repayment, unsecured and bear interest at Hong Kong prime rate plus 1% per annum.

**14. CONVERTIBLE NOTES**

The convertible notes in an aggregate principal amount of HK\$30,000,000 due on the fifth anniversary of the date of issuance by the Company on 21 August 2002 was subscribed by Yue Fung and Simply Noble in equal proportion. Such convertible notes bear no interest and can be converted into new shares from 21 August 2002 to 20 August 2007 at the conversion price of HK\$0.004 per new share. Up to the date of this interim report, the convertible notes were not converted.

## 15. ISSUED SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
AUTHORISED			
Ordinary shares of HK\$0.1 each at 1 April 2002		1,000,000	100,000
Reduced due to Share Consolidation	(i)	(875,000)	-
Ordinary shares of HK\$0.80 each Reduced due to Capital Reduction	(ii)	125,000 -	100,000 (99,125)
Ordinary shares of HK\$0.007 each Increased due to Share Subdivision	(iii)	125,000 750,000	875 -
Ordinary shares of HK\$0.001 each Increased in authorised share capital	(iv)	875,000 39,125,000	875 39,125
Ordinary shares of HK\$0.001 each at 30 September 2002		40,000,000	40,000
ISSUED AND FULLY PAID			
Ordinary shares of HK\$0.1 each at 1 April 2002		320,000	32,000
Reduced due to Share Consolidation	(i)	(280,000)	-
Ordinary shares of HK\$0.80 each Reduced due to Capital Reduction	(ii)	40,000 -	32,000 (31,720)
Ordinary shares of HK\$0.007 each Increased due to Share Subdivision	(iii)	40,000 240,000	280 -
Ordinary shares of HK\$0.001 each Issue of new shares	(v)	280,000 10,000,000	280 10,000
Ordinary shares of HK\$0.001 each at 30 September 2002		10,280,000	10,280



**15. ISSUED SHARE CAPITAL** *(Continued)*

During the period, the following movements in share capital were recorded:

**(i) Share Consolidation**

Every eight shares was consolidated into one share ("Consolidated Share(s)"). The issued share capital of the Company of HK\$32,000,000 comprising 320,000,000 shares was consolidated into 40,000,000 Consolidated Shares ("Share Consolidation").

**(ii) Capital Reduction**

The par value of each of the Consolidated Shares was reduced by HK\$0.793 to HK\$0.007. The Company's issued share capital of HK\$32,000,000 comprising 40,000,000 Consolidated Shares was reduced by HK\$31,720,000 to HK\$280,000 comprising 40,000,000 reduced shares ("Reduced Shares"). HK\$31,720,000 was credited to the reserve account to write-off accumulated losses of the Company ("Capital Reduction") (note 16).

**(iii) Share Subdivision**

Immediately after the Capital Reduction becoming effective, every Reduced share was subdivided into seven new shares with a par value of HK\$0.001 each. The issued share capital of the Company of HK\$280,000 comprising 40,000,000 reduced shares was subdivided into 280,000,000 new shares ("Subdivided Shares").

With respect to the unissued shares, every eight unissued shares was consolidated into one unissued Consolidated Share. As part of the Capital Reduction, the par value of each unissued Consolidated Share was reduced to HK\$0.007. Such reduced share was subdivided into seven unissued Subdivided Shares.

**(iv) Increase in Authorised Share Capital**

Immediately upon the Share Subdivision becoming effective, the Company's authorised share capital was increased from HK\$875,000 (made up of 280,000,000 issued Subdivided Shares and 595,000,000 unissued Subdivided Shares to HK\$40,000,000 divided into 40,000,000,000 new shares. As a result, the new authorised share capital of the Company was comprised of 280,000,000 issued Subdivided Shares and 39,720,000,000 unissued Subdivided Shares immediately upon the capital restructuring become effective, but prior to the issue of Subdivided Shares.

**(v) Issue of New Shares**

Pursuant to the terms of the subscription agreement entered into between A-Max (Asia) Limited and the Company, A-Max (Asia) Limited subscribed for 10,000,000,000 new shares, at HK\$0.004 per new share for an aggregate cash consideration of HK\$40,000,000.

**16. RESERVES**

	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 31 March 2002	69,823	(22,470)	(117)	(334,954)	(287,718)
Net profit for the period	-	-	-	333,149	333,149
Capital reduction <i>(note 15(iii))</i>	-	-	-	31,720	31,720
Issue of new shares, net of outgoings <i>(note 15(v))</i>	19,439	-	-	-	19,439
Interim dividend <i>(note 10)</i>	-	-	-	(10,280)	(10,280)
At 30 September 2002	89,262	(22,470)	(117)	19,635	86,310

**17. 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 hearings 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.