NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

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 was suspended on 23 May 2001. Following a restructuring exercise (the "Group Restructuring"), details of which are set out in the circular of the Company dated 19 July 2002, the trading of the Company's shares on the Stock Exchange resumed on 23 August 2002.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries during the year are set out in note 16 to the financial statements.

2. APPOINTMENT AND RESIGNATION OF PROVISIONAL LIQUIDATORS

Before the Group Restructuring on 21 August 2002, the Group had been experiencing liquidity problem and were not generating sufficient cash flows.

The Company had defaulted payment under the guarantee and cross guarantee given to the Hongkong and Shanghai Banking Corporation Limited ("HSBC") dated 4 January 2001 and 9 February 2001 respectively. In order to preserve the assets of the Group, HSBC petitioned to wind-up the Company. Messrs. Gabriel CK Tam, Jacky CW Muk and Malcolm Butterfield of KPMG (the "Kessel Provisional Liquidators") were appointed as the joint and several provisional liquidators of the Company by the order of the Supreme Court of Bermuda (the "Supreme Court") on 15 November 2001.

The Group has an indirect wholly-owned subsidiary, Keview Technology (BVI) Limited ("Keview"), which owns Dongguan Kepo Electronics Limited ("Dongguan Kepo"). Dongguan Kepo was set up in Dongguan in the People's Republic of China (the "PRC") as a wholly foreign-owned enterprise. Dongguan Kepo was the major asset of the Group. As a result of Keview's failure to meet its obligations under the cross guarantee given to HSBC dated 9 February 2001, HSBC petitioned to wind-up Keview. Messrs. Gabriel CK Tam and Jacky CW Muk (the "Keview Provisional Liquidators") were appointed as the joint and several provisional liquidators of Keview by the High Court of the Hong Kong Special Administrative Region (the "High Court") on 8 October 2001.

The Kessel Provisional Liquidators and the Keview Provisional Liquidators (collectively referred to as the "Provisional Liquidators") were appointed to, inter alia, enforce and preserve the assets and businesses of the Group.

The Group had suspended all its operations and businesses since October 2001. Following the completion of the Group Restructuring (the "Closing") on 21 August 2002, the Group resumed operations. The Provisional Liquidators were discharged and released by the Supreme Court and the High Court with effect from the Closing.

3. WINDING-UP PETITIONS AND SEALING ORDERS

(a) Winding-up petition against the Company and Keview (the "Winding-up Petitions")

i. *Against the Company*

On 14 November 2001, HSBC filed a winding-up petition against the Company in the Supreme Court. The winding-up petition was fixed for 7 December 2001. Application was made to the Supreme Court for adjournment pending submission of proposals from potential investors to restructure the Group on the date of hearing. The winding-up petition was subsequently adjourned sine die by the Supreme Court.

The winding-up petition against the Company was withdrawn by the Supreme Court upon the Closing.

ii. *Against Keview*

On 5 October 2001, HSBC filed a winding-up petition against Keview in the High Court. The winding-up petition was fixed for 16 January 2002. Application was made to the High Court for adjournment in order to negotiate with the potential investors and to consider the restructuring procedures on 15 January 2002. The High Court granted an order to adjourn the winding-up petition to 22 April 2002. In order to proceed with the restructuring proposal, application was also made to the High Court on 18 April 2002. The winding-up petition was adjourned to 29 July 2002.

The winding-up petition against Keview was withdrawn by the High Court upon the Closing.

(b) Sealing orders

Dongguan Kepo owned and operated a factory in Dongguan. The factory ceased operations in October 2001. On 25 September 2001, one of the creditors in the PRC took legal action against Dongguan Kepo at The People's Court, Dongguan for outstanding balance due by Dongguan Kepo. Since then, a total of over 65 writs had been served on Dongguan Kepo at The People's Court, Dongguan. Over 40 PRC creditors obtained sealing orders on certain assets of the Group located at the Group's Dongguan factory. Also, the majority of these PRC creditors obtained judgements and had attachments over assets of Dongguan Kepo in respect of their claims. They were entitled to enforce their judgements by requesting the PRC court which had given judgement in their favour to sell the assets over which they had judgement security by public auction. An auction was scheduled for 16 April 2002 but was subsequently prevented by A-Max (Asia) (the "Investor"), a wholly-owned subsidiary of Yue Fung International Group Holding Limited ("Yue Fung"), which advanced money to Dongguan Kepo (the "DK Advances") to enable the claims of the judegement creditors to be discharged. The judgement creditors withdrew their legal actions against Dongguan Kepo upon receipt of payments from the Investor. The PRC court issued a judgement to release all sealing orders on 12 April 2002.

4. GROUP RESTRUCTURING

On 4 April 2002, a conditional restructuring agreement (the "Restructuring Agreement") was entered into between (i) the Company, (ii) Keview (together with the Company, the "Companies"), (iii) the Kessel Provisional Liquidators, (iv) the Keview Provisional Liquidators, and (v) the Investor. The Restructuring Agreement involved, inter alia, subscription of new shares in the Company and restructuring of debts of the Companies.

On 4 April 2002, the Investor had extended a credit facility to Dongguan Kepo pursuant to a facility letter (the "DK Loan Agreement") to enable Dongguan Kepo to meet certain of its liabilities. In relation to the DK Loan Agreement, a subordination agreement (the "DK Subordination Agreement") was also entered into on the same date between (i) Dongguan Kepo, (ii) the Investor, (iii) Keview, and (iv) the Keview Provisional Liquidators.

(a) Principal terms of the Group Restructuring

i. The Subscription

Pursuant to the terms of the Restructuring Agreement, the Investor has subscribed for 10,000,000,000 new ordinary shares (the "Subscription"), representing approximately 97% of the enlarged issued capital of the Company immediately upon the Closing at HK$0.004 per share for an aggregate cash consideration of HK$40 million (the "Subscription Proceeds"). In order to facilitate the restructuring of the Company, a capital restructuring has been carried out. Details of the capital restructuring are set out in note 23 to the financial statements.

Use of Proceeds

The entire amount of the Subscription Proceeds (after deducting the costs and expenses of the Kessel Provisional Liquidators) was applied to settle the claims of the creditors of the Company (the "Kessel Creditors") and the creditors of Keview (the "Keview Creditors", collectively referred to as the "Companies' Creditors") as described below.

ii. Debt Restructuring

Pursuant to the Creditors' Schemes, the Keview Compromise and the DK Advances, details of which are set out in the circular of the Company dated 19 July 2002, the claimed liabilities of the Company, Keview and Dongguan Kepo as mentioned in note 3 above were discharged.

(b) Completion of the Group Restructuring

The completion of the Group Restructuring took place on 21 August 2002.

Immediately after the Closing, A-Max (Asia) became the substantial shareholder of the Company.

4. GROUP RESTRUCTURING *(continued)*

(b) Completion of the Group Restructuring *(continued)*

In order to allow the Group to maintain and focus on its principal activities, subsidiaries which the Investor considered to be of no real value to the continuing business of the Group were transferred to the Scheme Administrators of the Creditors' Schemes, details of which are set out in the circular of the Company dated 19 July 2002, and after the Closing, formed no part of the restructured group. The subsidiaries so disposed of were:

Name	**Proportion of nominal value of issued capital held by the Company** Directly	Indirectly
Kessel Electronics (BVI) Limited	100%	–
Agenda Computing (Deutschland) GmbH	–	100%
Kepo Display Technology Limited	–	100%
Kessel Electronics GmbH	–	100%
Kessel Electronics (H.K.) Limited	–	100%
Kessel Telecom Limited	–	100%
Kingo Industrial Limited	–	100%
Agenda Computing Asia Limited	–	100%
Agenda Computing (BVI) Limited	–	100%
Agenda Computing (HK) Limited	–	100%
Agenda Computing, Inc.	–	100%
Agenda Computing Manufacturing Limited	–	100%
Kego Technology Limited	–	100%
Kepo Electronics Limited	–	100%
Kepo Time Limited	–	100%
Kesonic Limited	–	100%
Kessel Inc.	–	100%
Kessel Japan Company Limited	–	95%
Kessel Management Company Limited	–	100%
Kessel Technology SAS	–	100%
Kessel Technology (UK) Limited	–	100%
Ketech Limited	–	100%
The Kessel Software Studio, Inc.	–	100%

During the year, Kessel International Investments Limited, another direct subsidiary, was also disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group incurred a gross loss of approximately HK$18,858,000 and reported a significant net cash used in operating activities of approximately HK$51,433,000 for the year ended 31 March 2003. The financial statements have been prepared on a going concern basis. The continuation of the Group's business depend upon the following:

(a) fund amounted to approximately HK$6,168,000 raised from the subscription of new shares in June 2003 (note 30(b));

(b) continuing financial supports from the term loan lenders who have already expressed intentions to renew the term loans upon maturity (note 21); and

(c) future profitable operation of the Group.

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants (the "HKSA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. They have been prepared under the historical cost convention as modified by revaluation of fixed assets as explained in the accounting policies set out below.

In the current year, the Group adopted the following new or revised SSAPs which became effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
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 statement of changes in equity for the current year and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the consolidated financial statements is that the income statements of subsidiaries operating in overseas are translated at an average rate for the year on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. This SSAP has had no material impact on the results for the current or prior accounting periods.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

SSAP 15 (revised) prescribes the provision of information about the changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the year into those from operating, investing and financing activities. The format of consolidated cash flow statement for the current year and the comparative figures are presented in accordance with the revised SSAP 15.

SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. This SSAP has had no material impact on the consolidated financial statements. Details of the accounting policies of employee benefits are set out below.

6. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On disposal of a subsidiary, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Subsidiaries

A subsidiary is an enterprise controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

6. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets

Fixed assets are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, as determined by the Directors. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of fixed assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged as an expense to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits/losses.

Depreciation is provided to write off the cost or valuation of fixed assets, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following annual rates:

Leasehold land	Over the term of the relevant lease
Buildings	4%
Leasehold improvements	20%
Equipment, furniture and fixtures	20%
Plant and machinery	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Company.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

6. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment no longer exists or has decreased. The reversal is recorded in the income statement.

Revenue recognition

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has been passed to the customers.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable.

Deferred taxation is provided using the liability method on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Profits and losses resulting from this translation policy are dealt with in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

6. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Event after the balance sheet date

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Retirement benefit costs*

The Group's contribution to retirement scheme are expensed as incurred.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain provisions. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

6. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segment reporting *(continued)*

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

7. TURNOVER AND REVENUE

An analysis of the turnover and revenue is as follows:

	2003 HK$'000	2002 HK$'000
Turnover		
Sales of goods	**10,226**	–
Assembly services income received from companies not involved in the Group Restructuring	**–**	12,740
	10,226	12,740
Other revenue		
Interest income	**9**	–
Sundry income	**56**	–
	65	–
	10,291	12,740

8. INDEMNIFIED LIABILITIES OF SUBSIDIARIES NOT CONSOLIDATED

During the year ended 31 March 2002, the Company had made a provision for indemnified liabilities of subsidiaries not consolidated totalling approximately HK$220,734,000 which was related to indemnities given by the Company to certain bankers and creditors of its subsidiaries which were put into liquidation during the year ended 31 March 2002 in respect of loans advanced and services rendered to those subsidiaries. As a result of the Creditors' Schemes, which was completed on 21 August 2002, the Group no longer obliged to repay these liabilities and a sum of approximately HK$180,734,000 was then written back.

9. PROVISION FOR LOSS ARISING FROM A LOAN COMMITMENT

Pursuant to a loan agreement entered into with a fellow subsidiary of the Group on 29 March 2003, the Group committed to advance a sum of approximately HK$1,877,000 for three months at an interest rate of Hong Kong prime rate plus 2% per annum on the outstanding balance. The loan was advanced to the fellow subsidiary on 1 April 2003 and became bad as a result of its liquidation in mid June 2003.

The Directors are of the opinion that the contract was onerous in nature and a full provision of approximately HK$1,881,000, including the loan and certain miscellaneous expenses, was then made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

10. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	2003 HK$'000	2002 HK$'000
Auditors' remuneration		
Current year	280	200
Underprovision in prior years	–	1,745
Cost of inventories sold	7,363	–
Depreciation and amortisation	16,545	14,855
Operating lease rentals in respect of land and buildings	369	2,314
Staff costs including directors' emoluments		
Salaries and other benefits	3,147	6,435
Retirement benefits scheme contributions	50	–
	3,197	6,435
Research and development costs incurred	–	46

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Executive director		Independent non-executive directors	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Fees	–	–	109	–
Other emoluments				
Basis salaries, allowances and benefits in kind	35	–	–	–
Discretionary bonus	–	–	–	–
Retirement benefits scheme contributions	1	–	–	–
	36	–	109	–

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The emoluments of the Directors fell within the following band:

	Number of directors	
	2003	2002
Nil to HK$1,000,000	**12**	7

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year. In addition, no emoluments were paid by the Group to the Directors as an inducement to join the Group or as compensation for loss of office.

(b) Five highest paid employees

The five highest paid employees for the year ended 31 March 2003 are as follows:

	Non-directors
	HK$'000
Basic salaries, allowances and benefits in kind	1,286
Discretionary bonus	–
Retirement benefits scheme contributions	33
	1,319

The emoluments of the five highest paid employees for the year ended 31 March 2003 fell within the following band:

	Number of non-directors
Nil to HK$1,000,000	5

During the year, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join the Group or as compensation for loss of office.

No information in respect of the details of directors' and employees' emoluments for the year ended 31 March 2002 is available.

12. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations.

12. RETIREMENT BENEFITS SCHEME *(continued)*

The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The total cost charged to the income statement of approximately HK$50,000 represents contributions payable to the retirement benefits schemes by the Group at rates specified in the rules of the relevant schemes. As at 31 March 2003, contributions of approximately HK$5,000 due in respect of the current reporting year had not been paid over the relevant schemes. Information of total cost charged to the income statement for the year ended 31 March 2002 and the contribution due as at 31 March 2002 is not available.

13. TAXATION

(a) No provisions for Hong Kong profits tax and overseas tax have been made as the Group did not have any assessable profit for the year.

(b) Deferred tax net debit balance of approximately HK$1,562,000 in respect of tax losses less accelerated depreciation allowances has not been included in these financial statements. No information in respect of the deferred taxation for the year ended 31 March 2002 is available.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the Group's net profit attributable to shareholders for the year of approximately HK$321,658,000 (2002: net loss of approximately HK$392,036,000) and the weighted average number of approximately 6,390,959,000 ordinary shares (2002: 280,000,000 shares (restated), adjusted to reflect the share consolidation and share subdivision during the year.)

The calculation of the diluted earnings per share is based on the Group's net profit attributable to shareholders for the year of approximately HK$321,658,000 and the weighted average number of approximately 10,923,836,000 ordinary shares (2002: Nil), as further stated below.

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 share calculation is as follows:

	Number of shares 2003 '000
Weighted average number of shares used in the basic earnings per share calculation	6,390,959
Weighted average number of shares assumed to have been issued on the deemed exercise of all convertible notes outstanding during the year	4,532,877
Weighted average number of shares used in the diluted earnings per share calculation	10,923,836

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

15. FIXED ASSETS

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group						
Cost/Valuation						
At 1 April 2002						
– At cost	51,219	15,914	32,118	89,828	1,496	190,575
Additions	–	5,691	7,351	4,606	–	17,648
Write off	–	–	–	(7,300)	(1,496)	(8,796)
Adjustment on revaluation	(7,231)	(6,382)	(14,329)	(32,804)	–	(60,746)
At 31 March 2003						
– At valuation	**43,988**	**15,223**	**25,140**	**54,330**	**–**	**138,681**
Depreciation, amortisation and impairment loss						
At 1 April 2002	6,219	4,240	10,382	27,740	585	49,166
Charge for the year	1,012	2,142	3,947	9,444	–	16,545
Write off	–	–	–	(4,380)	(585)	(4,965)
Adjustment on revaluation	(7,231)	(6,382)	(14,329)	(32,804)	–	(60,746)
At 31 March 2003	**–**	**–**	**–**	**–**	**–**	**–**
Net book value						
At 31 March 2003						
– At valuation	**43,988**	**15,223**	**25,140**	**54,330**	**–**	**138,681**
At 31 March 2002						
– At cost	45,000	11,674	21,736	62,088	911	141,409

(a) The Group's leasehold land and buildings are situated in the PRC and held under medium term leases (unexpired period between 10 to 50 years).

(b) The Group's fixed assets were revalued by the Directors on existing use basis at 31 March 2003. The Directors' valuation did not give rise to a revaluation surplus or deficit.

(c) The carrying amount of the leasehold land and buildings would have been approximately HK$43,988,000 (2002: HK$45,000,000) had they been carried at historical cost less accumulated depreciation and impairment losses.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares	**8**	129,026
Less: Impairment loss	**–**	(129,026)
	8	–

(a) Details of the Company's subsidiaries as at 31 March 2003 are as follows:

Name	**Place of incorporation/ operation**	**Issued and fully paid share capital/ registered capital**	**Attributable equity interest held by the Company** Direct	Indirect	**Principal activities**
Profit Goal Holdings Limited	BVI	US$1,000	100%	–	Investment holding
A-Max Kepo Display Limited	Hong Kong	HK$100	–	100%	Trading of LCD, LCD modules and LCD consumer products
Chesford Group Limited	BVI	US$100	–	100%	Not yet commenced business
Dongguan Kepo	PRC	HK$76,120,000	–	100%	Manufacturing of LCD, LCD modules and LCD consumer products (see note)
Keview	BVI	US$1,000	–	100%	Investment holding
A-Max Global Products Limited	Hong Kong	HK$100	–	100%	Not yet commenced business

Note: Dongguan Kepo, a wholly foreign-owned enterprise, ceased operations in October 2001 but resumed operations in September 2002.

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) The consolidated financial statements for the current year do not include the results and cash flows of certain subsidiaries which were disposed of during the Group Restructuring. Details of the disposal are set out in note 4(b) to the financial statements.

(c) The consolidated financial statements for the prior year did not include certain subsidiaries which were in the course of liquidation or their immediate holding companies were in the course of liquidation for which the appointed liquidators had assumed overall control. Details of these subsidiaries are set out in the Group's annual report 2002.

The consolidated financial statements for the prior year did not include the results and cash flows of these subsidiaries up to the respective dates of appointment of liquidators as, in the opinion of the Directors, the cost of preparing this information would exceed the value of this information to the members of the Company.

(d) The financial statements of the Group for the prior year did not consolidate the financial statements of certain subsidiaries, details of which are set out in the Group's annual report 2002, as in the opinion of the Directors, the cost of obtaining this information would exceed the value of this information to the members of the Company.

(e) The Directors had formed the opinion that the aggregate carrying value of the Group's interests in the subsidiaries of approximately HK$85,676,000 as at 31 March 2002 had been impaired and, accordingly, such impairment loss had been recognised in the financial statements for the year ended 31 March 2002.

17. INVENTORIES

	The Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**2,023**	–
Work in progress	**87**	–
Finished goods	**246**	–
	2,356	–

All inventories are stated at cost.

18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. The aged analysis of trade receivables is as follows:

	The Group	
	2003	2002
	HK$'000	HK$'000
Trade receivables		
Current – 30 days	**2,460**	–
31 – 60 days	**183**	–
61 – 90 days	**634**	–
Over 90 days	**188**	43
	3,465	43
Other receivables	**–**	253
	3,465	296

19. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
Current – 30 days	**2,094**	–	–	–
31 – 60 days	**538**	–	–	–
61 – 90 days	**146**	–	–	–
Over 90 days	**7**	–	–	–
	2,785	–	–	–
Other payables	**4,318**	*250,515	**1,997**	*226,307
	7,103	250,515	**1,997**	226,307

* No information on the analysis of other payables as at 31 March 2002 is available.

20. SHORT TERM BORROWING

Short term borrowing represents unsecured loan from an unrelated party, which is interest-free and repayable within the next twelve months.

21. LONG TERM BORROWINGS

Long term borrowings represent unsecured loans from unrelated parties, which are interest-bearing at 6% per annum and are not repayable within the next twelve months.

22. CONVERTIBLE NOTES – the Group and the Company

Pursuant to the subscription agreement dated 21 August 2002, the Company issued convertible notes (the "Notes") in the aggregate amount of HK$30 million to Yue Fung and its holding company, Simply Noble Limited to raise working capital for the restoration of the operations of Dongguan Kepo factory and for general working capital. The Notes bear no interest and can be converted into new ordinary shares during the period from 21 August 2002 to 20 August 2007 at the conversion price of HK$0.004 per share. The shares so converted will rank pari passu in all respect with all other ordinary shares in issue on the date of allotment. Yue Fung and Simple Noble Limited subsequently transferred the interests of the Notes to unrelated parties.

On 25 March 2003, an aggregate of HK$4.5 million was converted by an unrelated party which resulted in an increase in the issued share capital of HK$1,125,000 (representing 1,125,000,000 ordinary shares) and share premium of HK$3,375,000 respectively.

On 28 March 2003, an aggregate of HK$5 million was converted by another unrelated party which resulted in an increase in the issued share capital of HK$1,250,000 (representing 1,250,000,000 ordinary shares) and share premium of HK$3,750,000 respectively.

The movement of the Notes during the year is summarised as follows:

	HK$'000
Notes issued during the year	30,000
Conversion of the Notes into 2,375,000,000 ordinary shares at a price of HK$0.004 per share	
– Amount transferred to share capital *(note 23)*	(2,375)
– Amount transferred to share premium	(7,125)
At 31 March 2003	20,500

All the outstanding Notes were converted into share capital subsequent to the balance sheet date *(note 30(a))*.

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For the year ended 31 March 2003

23. SHARE CAPITAL

		Number of shares		Amount	
	Note	**2003**	2002	**2003**	2002
		'000	'000	**HK$'000**	HK$'000
Authorised					
At 1 April					
Ordinary shares of HK$0.1 each		**1,000,000**	1,000,000	**100,000**	100,000
Reduced due to Share Consolidation	*(i)*	**(875,000)**	–	**–**	–
Ordinary shares of HK$0.8 (2002: HK$0.1) each		**125,000**	1,000,000	**100,000**	100,000
Reduced due to Capital Reduction	*(ii)*	**–**	–	**(99,125)**	–
Ordinary shares of HK$0.007 (2002: HK$0.1) each		**125,000**	1,000,000	**875**	100,000
Increased due to Share Subdivision	*(iii)*	**750,000**	–	**–**	–
Ordinary shares of HK$0.001 (2002: HK$0.1) each		**875,000**	1,000,000	**875**	100,000
Increased in authorised share capital	*(iv)*	**39,125,000**	–	**39,125**	–
At 31 March					
Ordinary shares of HK$0.001 (2002: HK$0.1) each		**40,000,000**	1,000,000	**40,000**	100,000

23. SHARE CAPITAL *(continued)*

	Note	Number of shares 2003 '000	Number of shares 2002 '000	Amount 2003 HK$'000	Amount 2002 HK$'000
Issued and fully paid					
At 1 April					
Ordinary shares of HK$0.1 each		**320,000**	320,000	**32,000**	32,000
Reduced due to Share Consolidation	*(i)*	**(280,000)**	–	**–**	–
Ordinary shares of HK$0.8 (2002: HK$0.1) each		**40,000**	320,000	**32,000**	32,000
Reduced due to Capital Reduction	*(ii)*	**–**	–	**(31,720)**	–
Ordinary shares of HK$0.007 (2002: HK$0.1) each		**40,000**	320,000	**280**	32,000
Increased due to Share Subdivision	*(iii)*	**240,000**	–	**–**	–
Ordinary shares of HK$0.001 (2002: HK$0.1) each		**280,000**	320,000	**280**	32,000
Issue of new shares	*(v)*	**10,000,000**	–	**10,000**	–
Conversion of the convertible notes	*(vi)*	**2,375,000**	–	**2,375**	–
At 31 March					
Ordinary shares of HK$0.001 (2002: HK$0.1) each		**12,655,000**	320,000	**12,655**	32,000

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

As part of the Group Restructuring

(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") with par value of HK$0.8 per share.

23. SHARE CAPITAL *(continued)*

As part of the Group Restructuring *(continued)*

(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") with par value of HK$0.007 per share. HK$31,720,000 was credited to the reserve account to reduce the accumulated losses of the Company ("Capital Reduction").

(iii) Share subdivision

Immediately after the Capital Reduction, 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 ("Share Subdivision") with par value of HK$0.001 per share.

(iv) Increase in authorised share capital

Immediately after the Share Subdivision, the Company's authorised share capital was increased from HK$875,000 to HK$40,000,000 (i.e. from 875,000,000 shares to 40,000,000,000 shares).

(v) Issue of new shares

Pursuant to the subscription agreement dated 8 August 2002, 10,000,000,000 new shares were issued, at HK$0.004 per share for an aggregate cash consideration of HK$40,000,000. As a result, the share premium net of outgoings of approximately HK$29,059,000 was created.

Movements after the Group Restructuring

(vi) Conversion of the convertible notes

As set out in note 22 to the financial statements, 2,375,000,000 shares were issued pursuant to the conversion of the convertible notes at HK$0.004 per share.

24. SHARE OPTION SCHEMES

On 12 August 2002, the Company replaced its existing share option scheme (the "Old Scheme") which became effective on 2 September 1997 by a new share option scheme (the "New Scheme").

Old Scheme

Under the terms of the Old Scheme, the Board of Directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher.

24. SHARE OPTION SCHEMES *(continued)*

Old Scheme *(continued)*

The maximum number of shares in respect of which options may be granted under the Old Scheme will not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one participant will not exceed 25% of the maximum number of shares for the time being issued and issuable under the Old Scheme.

A consideration of HK$10 is payable on acceptance of the option. An option may be exercised in accordance with the terms of the Old Scheme at any time during a period to be notified by the Board of Directors to each grantee, save that no option may be exercised later than 10 years after it has been granted. No option may be granted after 10 years from the date of approval of the Old Scheme.

Pursuant to an ordinary resolution on 12 August 2002, the Old Scheme, which is originally valid for a period of 10 years from the date of adoption of the scheme, had been terminated and that no further options will be granted under the Old Scheme.

No options under the Old Scheme were granted or exercised during the year.

New Scheme

The New Scheme was adopted on 12 August 2002 to replace the Old Scheme terminated on the same date.

Under the terms of the New Scheme, the Board of Directors may, at its discretion, grant options to employees, Directors, executives or officers of the Group, and any suppliers, consultants or agents who have provided services to the Group at a price not less than the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the New Scheme will not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant will not exceed 30% of the maximum number of shares in issues from time to time. At the date of report, the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the New Scheme must not exceed 1,983,600,000 shares, representing 10% of the shares in issue as at 18 June 2003, the date of the special general meeting approving the refreshment of the 10% limit on the grant of options.

A nominal consideration of HK$1 is payable within 30 days from the offer date for each lot of share option granted. An option may be exercised in accordance with the terms of the New Scheme during a period to be notified by the Board of Directors. Each grantee is entitled to exercise the options at any time after the expiry of one year from the date of the grant of the options, and in each case, not later than 10 years from the date of the grant of the options.

The New Scheme is valid for a period of 10 years commencing 12 August 2002. No options under the New Scheme were granted up to 31 March 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

25. SUBSIDIARIES DECONSOLIDATED

	2003 HK$'000	2002 HK$'000
(a) Assets/(liabilities) of subsidiaries deconsolidated:		
Fixed assets	–	117,732
Interest in properties	–	2,758
Intangible assets	–	16,601
Inventories	–	189,022
Trade and other receivables	–	48,601
Bills receivable	–	6,867
Investments in securities	–	860
Bank and cash balances	–	15,236
Amounts due from group companies	–	130,480
Trade and other payables	–	(185,344)
Bills payable	–	(115,336)
Taxation payable	–	(4,705)
Obligations under a finance lease and a hire purchase contract	–	(19,025)
Bank borrowings	–	(63,016)
Other loan, unsecured	–	(13,500)
Deferred taxation	–	(2,062)
Amounts due to group companies	–	(39,488)
Minority interests	–	(5)
Investments in subsidiaries not consolidated	–	85,676

(b) Analysis of net inflow of cash and cash equivalents in respect of subsidiaries not consolidated:

	2003 HK$'000	2002 HK$'000
Bank and cash balances not consolidated	–	(15,236)
Bank overdrafts not consolidated	–	24,508
Bank loans repayable within three months from the date of advances not consolidated	–	5,670
	–	14,942

No information is available in respect of the cash flows and results contributed by the subsidiaries not consolidated in 2002 as a result of the incomplete books and records of the Group.

26. COMMITMENTS

The Group

Pursuant to a contract entered into between one of the Company's subsidiaries and an independent party in the PRC whereby the Group's factory is located, the Group is committed to pay to the independent party an annual management fee. An analysis of the management fee commitment as at 31 March 2003 is as follows:

	HK$'000
Within one year	1,212
In the second to fifth years	5,134
After five years	82,726
	89,072

The Company

The Company did not have any significant commitments as at 31 March 2003.

No information in respect of the commitment of the Group and the Company as at 31 March 2002 is available.

27. LEASE COMMITMENTS

At 31 March 2003, the Group had the total future minimum lease payments under non-cancellable operating lease in respect of office premises payable as follows:

	HK$'000
Within one year	240
In the second to fifth years	960
After five years	1,190
	2,390

No information in respect of lease commitments as at 31 March 2002 is available.

28. RELATED PARTY TRANSACTIONS

Connected transactions pursuant to the Listing Rules for the year ended 31 March 2003 are as follows:

	Note	HK$'000
Sales of goods to Yue Fung Development Company Limited ("Yue Fung Development")	*i*	1,873
Purchases of goods from Yue Fung Development	*ii*	2,337
Write off of amount due from Yue Fung Development	*iii*	1,955
Provision for loss arising from a loan commitment to Yue Fung Development	*9*	1,881
Issue of convertible notes to Simply Noble Limited and Yue Fung	*22*	30,000

28. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

i. The Directors consider that the sales of goods to Yue Fung Development, a subsidiary of Yue Fung, were made according to the prices and conditions similar to those offered to the major customers of the Group.

ii. The Directors consider that the purchases of goods were made according to the prices and conditions similar to those offered by the major suppliers of the Group.

iii. Yue Fung Development commenced liquidation in June 2003. The Directors are of the opinion that the amount due from Yue Fung Development was irrecoverable and was then written off during the year.

iv. During the year, the Group used the banking facilities of Yue Fung Development for the acquisition of certain raw materials and fixed assets. The reimbursement of these facilities used was made on cost basis.

Before the Group Restructuring, the Company and Keview had issued guarantees and/or given indemnity to creditors of its wholly owned subsidiaries or fellow subsidiaries respectively which were fully provided for during the year ended 31 March 2002 as described in note 8 to the financial statements.

No information in respect of related party transactions for the year ended 31 March 2002 is available.

29. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 products segment consists of the manufacture and sale of LCD and LCD modules;

(b) the LCD consumer products segment consists of the manufacture and sale of calculators and other electronic products; and

(c) assembly services segment consists of assembly services rendered to companies not involved in the Group Restructuring.

In determining the Group's geographical segment, revenue 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

29. SEGMENT INFORMATION *(continued)*

(a) Business segments

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

	LCD products		LCD consumer products		Assembly services		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover	**4,462**	–	**5,764**	–	**–**	12,740	**10,226**	12,740
Segment results	**(23,673)**	–	**1,039**	–	**–**	(34,035)	**(22,634)**	(34,035)
Other revenue							**65**	–
Unallocated corporate expenses							**(1,998)**	–
Impairment loss recognised on fixed assets							**–**	(2,990)
Impairment loss recognised on interests in subsidiaries not consolidated							**–**	(85,676)
Reduction in provision for/(provision for) net amounts due to/(from) subsidiaries not consolidated							**148,366**	(48,601)
Reduction in provision for/(provision for) indemnified liabilities of subsidiaries not consolidated							**180,734**	(220,734)
Reduction in provision for other payables							**29,781**	–
Write off of trade and other receivables							**(296)**	–
Write off of bank and cash balances							**(1,458)**	–
Write off of fixed assets							**(3,831)**	–
Write off of amount due from a fellow subsidiary							**(1,955)**	–
Provision for loss arising from a loan commitment							**(1,881)**	–
Provision for litigations							**(3,235)**	–
Profit/(loss) before taxation							**321,658**	(392,036)
Taxation							**–**	–
Net profit/(loss) attributable to shareholders							**321,658**	(392,036)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

29. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	LCD products		LCD consumer products		Assembly services		Consolidated	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment assets	**153,737**	–	**2,817**	–	**–**	143,171	**156,554**	143,171
Segment liabilities	**33,308**	–	**1,633**	–	**–**	18,462	**34,941**	18,462
Unallocated liabilities							**7,114**	380,427
Total liabilities							**42,055**	398,889
Other segment information:								
Capital expenditure	**17,648**	*	**–**	*	**–**	*	**17,648**	*
Depreciation and amortisation	**16,545**	*	**–**	*	**–**	*	**16,545**	*

* No information in respect of other segment information for the year ended 31 March 2002 is available.

(b) Geographical segments

No geographical analysis is presented as less than 10% of the Group's turnover and results are attributable to markets outside Hong Kong. No information in respect of geographical segments for the year ended 31 March 2002 is available.

30. POST BALANCE SHEET EVENTS

(a) On 3 April 2003 and 7 April 2003, the convertible notes in aggregate of HK$5,500,000 and HK$15,000,000 respectively were converted into new ordinary shares at HK$0.004 per share. A total of 5,125,000,000 new ordinary shares were issued to two unrelated parties.

(b) On 3 June 2003, the Company entered into a new subscription agreement with two unrelated parties for the subscription of 2,056,000,000 new ordinary shares at HK$0.003 per share, representing approximately 11.56% of the existing issued share capital of the Company and approximately 10.36% of the issued share capital of the Company as enlarged by the subscription.

The proceeds from the subscription of approximately HK$6,168,000 was used as additional general working capital of the Company.

The subscription shares rank pari passu in all respects with the existing shares in issue.

31. ULTIMATE HOLDING COMPANY

The Directors consider A-Max (Asia) Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

32. COMPARATIVE FIGURES

The comparative figures were audited by another firm of certified public accountants in Hong Kong. Certain comparative figures have been reclassified to conform to current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 30 July 2003.