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**KESSEL INTERNATIONAL
HOLDINGS LIMITED**

佳信科技集團有限公司*

(Provisional Liquidators Appointed)

(Incorporated in Bermuda with limited liability)



**YUE FUNG INTERNATIONAL GROUP
HOLDING LIMITED**

裕豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

**RESTRUCTURING OF
KESSEL INTERNATIONAL HOLDINGS LIMITED
(Provisional Liquidators Appointed)
INVOLVING, INTER ALIA, CAPITAL RESTRUCTURING,
DEBT RESTRUCTURING THAT INVOLVES CREDITORS' SCHEMES,
SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER
AND
OTHER PROPOSALS REGARDING ISSUE OF CONVERTIBLE NOTES,
ADOPTION OF A NEW SHARE OPTION SCHEME AND
CHANGE OF COMPANY'S NAME
AND
DESPATCH OF CIRCULAR**

Further to the announcements of the Company and Yue Fung dated 7 March, 2002 and 25 April, 2002, the Kessel Provisional Liquidators and the respective boards of directors of the Investor and Yue Fung announce that the Circular in relation to the Restructuring Proposal has been despatched to the Shareholders on 19 July, 2002.

It was proposed that, subject to the approval by the Shareholders, the name of the Company shall be changed to A-Max Holdings Limited. Shareholders and the public should note that the Circular contains, inter alia, further information in relation to the Restructuring Proposal, which include the proposed Capital Restructuring, the Debt Restructuring and the Subscription, the proposed issue of the Convertible Notes, the adoption of the New Share Option Scheme and an expected timetable for the Restructuring Proposal.

The Restructuring Proposal is conditional on, amongst other things, the results of the SGM. Accordingly, there is no guarantee that the Restructuring Agreement will be completed. Independent Shareholders are strongly advised to consider the content of the Circular, in particular the letter from the independent financial adviser to the Independent Shareholders, before deciding to vote in favour of or against the resolutions to be proposed at the SGM.

On 19 July, 2002, the Keview Creditors have entered into the Keview Compromise Agreement with the Keview Provisional Liquidators and Keview. Upon successful completion of the Restructuring Proposal and pursuant to the Keview Compromise Agreement, the Keview Creditors shall discharge their claims against Keview.

Further announcements will be made upon the signing of the Subscription Agreement to update the Shareholders or potential investors as and when appropriate.

Reference is made to the joint announcements of the Company and Yue Fung dated 7 March, 2002 and 25 April, 2002 (together, the “**Announcements**”) in respect of the rescue and restructuring of the Company. Capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements unless expressly defined at the end of this announcement.

The Kessel Provisional Liquidators and the respective boards of directors of the Investor and Yue Fung are pleased to announce that the Circular, containing, inter alia, details of the Restructuring Proposal, a letter from the independent financial adviser to the Independent Shareholders and a notice of the SGM to be held at 10:00 a.m. on 12 August, 2002, has been despatched to the Shareholders on 19 July, 2002. Shareholders should read the Circular carefully, in particular the letter of advice from the independent financial adviser to the Independent Shareholders contained therein before deciding to vote in favour of or against the resolutions to be proposed at the SGM. The Restructuring Agreement is subject to a number of conditions, including, inter alia, the approval of the Whitewash Waiver, and the results of the SGM, and may not be completed if any of such conditions are not fulfilled or waived in accordance with the terms of the Restructuring Agreement. If the Whitewash Waiver is not approved by the Independent Shareholders, the Restructuring Agreement will lapse. Certain additional information that is contained in the Circular is set out below for information purposes:

A. CAPITAL RESTRUCTURING

The Capital Restructuring involves the Share Consolidation, the Capital Reduction, the Share Subdivision and the Authorised Share Capital Increase. The existing authorised share capital of the Company is HK\$100,000,000 comprising 1,000,000,000 Existing Shares. The existing issued share capital of the Company is HK\$32,000,000 comprising 320,000,000 Existing Shares. In order to facilitate the Subscription, the Investor has requested the implementation of the Capital Restructuring and the capital of the Company shall be restructured as follows:

(i) Share Consolidation

Every eight Existing Shares will be consolidated into one Consolidated Share. The issued share capital of the Company of HK\$32,000,000 comprising 320,000,000 Existing Shares will be consolidated into 40,000,000 Consolidated Shares.

(ii) Capital Reduction

The par value of each of the Consolidated Shares will be 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 will be reduced by HK\$31,720,000 to HK\$280,000 comprising 40,000,000 Reduced Shares. HK\$31,720,000 will be credited to the reserve account to write-off accumulated losses of the Group.

(iii) Share Subdivision

Immediately upon the Capital Reduction becoming effective, every Reduced Share will be 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 will be subdivided into 280,000,000 New Shares.

With respect to the unissued Shares, every eight unissued Existing Shares shall be consolidated into one unissued Consolidated Share. As part of the Capital Reduction, the par value of each unissued Consolidated Share will be reduced to HK\$0.007. Such Reduced Share shall be subdivided into seven unissued New Shares.

(iv) Authorised Share Capital Increase

As a result of the Capital Reduction, part of the authorised but unissued share capital will be reduced to HK\$595,000 and after the Share Subdivision, the unissued share capital will comprise 595,000,000 New Shares. Immediately upon the Share Subdivision becoming effective, the Company's authorised share capital will be increased from HK\$875,000 (made up of 280,000,000 issued New Shares and 595,000,000 unissued New 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 will comprise 280,000,000 issued New Shares and 39,720,000,000 unissued New Shares immediately upon the Capital Restructuring becoming effective, but prior to the Subscription.

Each of the Share Consolidation, the Capital Reduction, the Share Subdivision and the Authorised Share Capital Increase will be subject to the passing of the necessary resolutions by the Shareholders at the SGM and will become effective only immediately prior to Closing.

B. THE SUBSCRIPTION

The Investor, the Company and the Kessel Provisional Liquidators shall enter into a subscription agreement whereby the Investor has agreed to subscribe for 10,000,000,000 New Shares, representing approximately 97% of the enlarged issued share capital of the Company immediately upon Closing, at HK\$0.004 per New Share for an aggregate cash consideration of HK\$40,000,000.

The Subscription shall be conditional on the Kessel Provisional Liquidators delivering a closing notice in accordance with the Restructuring Agreement. Upon the parties entering into the subscription agreement, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares falling to be issued upon completion of the Subscription.

Further announcements will be made upon the signing of the Subscription Agreement to update the Shareholders or potential investors as and when appropriate.

Reason for the Subscription and use of proceeds of the Subscription

The Subscription forms part of the Restructuring Proposal. Upon completion of the Subscription, HK\$40,000,000 shall be raised. The Subscription Proceeds shall be paid to the Company and such proceeds are to be used as follow:

- (a) if the valid liabilities of Dongguan Kepo to its creditors (excluding Keview) prior to the despatch of the Scheme Document do not exceed the PRC Liabilities Threshold of HK\$35 million, the entire amount of the Subscription Proceeds (after deducting the costs and expenses of the Kessel Provisional Liquidators) will be applied to settle the claims of the Kessel Creditors and the Keview Creditors; or

- (b) if the aggregate liabilities of Dongguan Kepo to its creditors (excluding Keview) prior to the despatch of the Scheme Document exceed the PRC Liabilities Threshold, the Subscription Proceeds available for distribution to the Kessel Creditors and the Keview Creditors will be reduced on a dollar for dollar basis by an amount equal to the Excess PRC Liabilities.

As at 24 June, 2002, the aggregate liabilities of Dongguan Kepo to its creditors (excluding Keview) were approximately HK\$25 million.

C. ISSUE OF THE CONVERTIBLE NOTES

The Company is to raise HK30,000,000 as working capital by issuing the Convertible Notes to Yue Fung and Simply Noble in equal proportion immediately after Closing. The issue of the Convertible Notes shall be conditional upon:

- (i) the approval of the Independent Shareholders at the SGM;
- (ii) Closing;
- (iii) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Conversion Shares to be issued pursuant to the terms and conditions of the Convertible Notes; and
- (iv) the Bermuda Monetary Authority having granted approval for the issue of the Convertible Notes and the Conversion Shares to be issued pursuant to the terms and conditions of the Convertible Notes.

The zero coupon 5 year Convertible Notes entitle the holders of such notes the right to convert the Convertible Notes into New Shares at a conversion price of HK\$0.004 per New Share.

As at the date of this announcement, no agreement has been signed between the relevant parties. Upon completion of the subscription agreement, Yue Fung shall be a connected person of the Company and the proposed issue of the Convertible Notes to a connected person shall constitute a connected transaction of the Company pursuant to Chapter 14 of the Listing Rules. The Company shall comply with the relevant rules and regulations applicable, including any disclosure or shareholders approval requirements as set out in Chapter 14 of the Listing Rules.

An ordinary resolution will be proposed at the SGM for the issue of the Convertible Notes by the Company immediately after Closing. The Convertible Notes are not listed notes, as a result, no application shall be made for the listing of, or permission to deal in the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Reasons for the issue of the Convertible Notes and use of proceeds of the issue of the Convertible Notes

The proposed issue of the Convertible Notes is not part of the Restructuring Proposal. The reason for the proposed issue of the Convertible Notes is to raise working capital for the restoration of the operations of the Dongguan Kepo factory and for general working capital. At this stage, the Company intends to use the HK\$30,000,000 from the issue of the Convertible Notes to restore the operations of the Dongguan Kepo factory, of which about HK\$20,000,000 will be used for acquiring and reconditioning machinery and utilities, trial running of materials and consumable as well as procuring materials and the balance of about HK\$10,000,000 for financing operating overheads.

Effects of the Restructuring Proposal

1. Share Capital

Details of the share capital of the Company before and after the Capital Restructuring are as follows:

	Existing position as at the date of this announcement	Position after the Share Consolidation	Position after the Capital Reduction	Position after the Share Subdivision	Position after the Authorised Share Capital Increase
Number of authorised share	1,000,000,000	125,000,000	125,000,000	875,000,000	40,000,000,000
Authorised share capital	HK\$100,000,000	HK\$100,000,000	HK\$875,000	HK\$875,000	HK\$40,000,000
Number of issued shares	320,000,000	40,000,000	40,000,000	280,000,000	280,000,000
Par value per share	HK\$0.10	HK\$0.80	HK\$0.007	HK\$0.001	HK\$0.001
Total issued share capital	<u>HK\$32,000,000</u>	<u>HK\$32,000,000</u>	<u>HK\$280,000</u>	<u>HK\$280,000</u>	<u>HK\$280,000</u>
Number of unissued share	<u>680,000,000</u>	<u>85,000,000</u>	<u>85,000,000</u>	<u>595,000,000</u>	<u>39,720,000,000</u>
Total unissued share capital	<u>HK\$68,000,000</u>	<u>HK\$68,000,000</u>	<u>HK\$595,000</u>	<u>HK\$595,000</u>	<u>HK\$39,720,000</u>

2. Shareholding structure

The following table shows the estimated changes in the shareholding of the Company immediately upon Closing:

	Existing shareholding of the Company (Existing Shares of HK\$0.10 each)		Shareholding of the Company immediately after the Capital Restructuring becoming effective (New Shares of HK\$0.001 each)		Shareholding of the Company immediately upon Closing (New Shares of HK\$0.001 each)	
The Investor	-	-	-	-	10,000,000,000	approximately 97%
Stangee International Limited (<i>Note 1</i>)	211,200,000	approximately 66%	184,800,000	approximately 66%	184,800,000	approximately 2%
Other public Shareholders	108,800,000	approximately 34%	95,200,000	approximately 34%	95,200,000	approximately 1%
Total	<u>320,000,000</u>	<u>100%</u>	<u>280,000,000</u>	<u>100%</u>	<u>10,280,000,000</u>	<u>100%</u>

Note 1: According to the latest published annual report of the Company, the issued share capital of Stangee International Limited is held by the trustee of a discretionary trust in which Mr. Shun Wing Chiu, a Director, and his spouse are included as beneficiaries.

Immediately upon Closing, the Investor will be interested in approximately 97% of the enlarged issued share capital of the Company. The Investor has submitted an application to the Executive for a Whitewash Waiver of its obligation under the Code to make a general offer for all the Shares other than those already held by the Investor together with parties acting in concert with it.

The following table shows the estimated changes in the shareholding of the Company assuming full conversion of the Convertible Notes based on two scenarios, (a) the shareholding structure of the Company upon Closing; and (b) the shareholding structure of the Company assuming the Investor has placed down its interests to maintain the minimum public float of the Company immediately following Closing:

	Scenario (a)				Scenario (b)			
	Immediately upon Closing		Assuming full conversion of the Convertible Notes immediately after Closing		Based on structure immediately upon Closing but adjusted for the placing by the Investor of the New Shares to the public to maintain the minimum public float		Assuming full conversion of the Convertible Notes immediately after Closing and placing by the Investor	
	No. of New Shares '000	Approx. %	No. of New Shares '000	Approx. %	No. of New Shares '000	Approx. %	No. of New Shares '000	Approx. %
Yue Fung (Note 2)	-	-	3,750,000	21	-	-	3,750,000	21
Investor (Note 2)	10,000,000	97	10,000,000	56	7,710,000	75	7,710,000	44
Simply Noble (Note 2)	-	-	3,750,000	21	-	-	3,750,000	21
Subtotal	10,000,000	97	17,500,000	98	7,710,000	75	15,210,000	86
Stangee International Limited	184,800	2	184,800	1	184,800	2	184,800	1
Other public Shareholders	95,200	1	95,200	1	2,385,200	23	2,385,200	13
Total	<u>10,280,000</u>	<u>100</u>	<u>17,780,000</u>	<u>100</u>	<u>10,280,000</u>	<u>100</u>	<u>17,780,000</u>	<u>100</u>

Note 2: Yue Fung, the Investor and Simply Noble are deemed to be concert parties as defined by the Code as Simply Noble is the substantial shareholder of Yue Fung, which wholly and beneficially owns the Investor.

D. CHANGE OF NAME OF THE COMPANY

In order to reflect the new ownership of the Company upon Closing and the wishes of the Investor, the Company proposed to change its name to A-Max Holdings Limited. The proposed change of name is conditional upon:

- (i) the passing of a special resolution by the Shareholders at the SGM;
- (ii) Closing; and

(iii) the approval by the Registrar of Companies in Bermuda (the “Registrar”) and a certified resolution by the Shareholders of the change of name being filed with the Registrar.

The change of name will be effective on the date of entry of the new name on the register maintained by the Registrar. Upon the proposed change of name becoming effective, the Chinese translation of the new name of the Company for identification purposes will be changed from (佳信科技集團有限公司) to (奧瑪仕控股有限公司).

E. CREDITORS’ SCHEMES

Upon the application by originating summons to the Hong Kong Court and the Bermuda Court dated 10 June, 2002 and 17 June, 2002 respectively of the Kessel Provisional Liquidators, the Courts ordered on 18 June, 2002 that, *inter alia*, Creditors’ Meetings be held at 10:00 a.m. on 16 July, 2002 for the unsecured creditors of the Company to consider and if thought fit, to approve the Creditors’ Schemes. On 24 June, 2002, notices of the Creditors’ Meetings were published in newspapers in Hong Kong and Bermuda for the holding of the Creditors’ Meetings at that time. At the Creditors’ Meetings held on 16 July, 2002, the requisite majorities of the unsecured creditors who were entitled to vote in relation to the Creditors’ Schemes, voted in their favour. The unsecured creditors present in person or by proxy at the Creditors’ Meetings who voted in favour of the Creditors’ Schemes represented approximately 87.5% in number and approximately 94.1% by value of the Company’s unsecured indebtedness. Application will be made to the Courts for the grant of orders sanctioning the Creditors’ Schemes. In accordance with the laws of Bermuda and Hong Kong, the Creditors’ Schemes will become effective and binding on all Kessel Creditors if, *inter alia*, a majority in number of the Kessel Creditors representing at least 75% in value of the total unsecured indebtedness of the Company votes in favour of the Creditors’ Schemes at the requisite Creditors’ Meetings, and court orders sanctioning the Creditors’ Schemes are lodged with the relevant Registrars of Companies in Bermuda and in Hong Kong.

All Keview Creditors have agreed that HK\$8,700,000 out of the Subscription Proceeds (subject to payment of the relevant costs and expenses of the Keview Provisional Liquidators) will be applied to, *inter alia*, settle the claims of the Keview Creditors in full and final settlement of their claims against Keview.

At Closing, HK\$31,300,000 out of the Subscription Proceeds will be transferred to the Scheme Administrators to be applied in accordance with the Creditors’ Schemes to settle, *inter alia*, the liabilities of the Kessel Creditors.

KEVIEW COMPROMISE AGREEMENT DATED 19 JULY, 2002

Parties:

Keview
Keview Creditors
Keview Provisional Liquidators

Object of the Keview Compromise Agreement:

Keview and Keview Creditors have reached agreement on the compromise and discharge of the Outstanding Indebtedness and the Keview Compromise Agreement is the form of the agreement negotiated between Keview and the Keview Creditors.

Conditions of the Keview Compromise Agreement:

The provisions of the Keview Compromise Agreement are subject to the Keview Provisional Liquidators receiving written notice from the Kessel Provisional Liquidators confirming that the Kessel Provisional Liquidators have issued a closing notice to the Scheme Administrators and the Investor.

Release by Keview Creditors and payment by Keview:

In consideration of the payment of the respective agreed percentage of the Compromise Amount to each respective Keview Creditor by Keview on the Closing Date, the Keview Creditors agree to waive, discharge and release its Outstanding Indebtedness and agree not to institute any legal proceedings in respect of such Outstanding Indebtedness.

F. SHARE OPTION SCHEME

To be in line with the recent changes of the Listing Rules in relation to share option schemes and to provide the Group with a more flexible means of giving incentive to reward, remunerate, compensate and/or provide benefits to talented persons, the Investor requested that the Company proposes to its Shareholders the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme.

The New Share Option Scheme will take effect upon satisfaction of the following conditions:

- (i) the passing of the necessary resolution approving the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme by the Shareholders in the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the options to be granted under the New Share Option Scheme; and
- (iii) Closing.

Subject to approval of the Subscription and the Whitewash Waiver, an ordinary resolution will be proposed at the SGM for the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme immediately after Closing. A summary of the principal terms of the New Share Option Scheme are set out in the Circular. Subject to fulfilment of the conditions precedent to adoption of the New Share Option Scheme as set out above, the Existing Share Option Scheme will be terminated and the New Share Option Scheme will take effect immediately after Closing.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, up to 10% of the Shares in issue on the date of approval and adoption of the New Share Option Scheme by Shareholders being the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the New Share Option Scheme.

G. STATEMENT OF PRO FORMA ADJUSTED AND UNAUDITED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP AT CLOSING

The following is a summary of the statement of pro forma adjusted and unaudited consolidated net tangible assets of the Group immediately upon Closing prepared on the basis of the audited consolidated net liabilities of the Group as at 31 March, 2002, adjusted to reflect the material changes in the Group's financial position subsequent to 31 March, 2002 and the effect of the transactions as contemplated under the Restructuring Proposal and the issue of the Convertible Notes. As stated in the report of the auditors regarding the financial statements of the Company for the year ended 31 March, 2002, the auditors were unable to form an opinion as to whether, among other things, the financial statements give a true and fair view of the state of affairs of the Group as at 31 March, 2002, because of the significance of the possible effect of the limitations in evidence available to the auditors as described in their report. Any adjustments that are found to be necessary to the net liabilities of the Group as at 31 March, 2002 may have a consequential effect on the pro forma adjusted and unaudited consolidated net tangible assets of the Group set out in the following statement.

	As at 31 March, 2002 HK\$'000	Adjustments HK\$'000	Notes	Pro forma at Closing HK\$'000	Per Share Data
(a) Assuming the plant and machineries are not subject to third party claims (<i>Note vi</i>)					
Fixed assets	141,409	(14,999)	(i)	126,410	
Current assets					
Trade and other receivables	296			296	
Bank balances and cash	1,466	30,000	(ii)	31,466	
	<u>1,762</u>			<u>31,762</u>	
Current liabilities	<u>398,889</u>	396,861	(iii)	<u>2,028</u>	
Net current (liabilities)/assets	<u>(397,127)</u>			<u>29,734</u>	
Net liabilities before restructuring	<u>(255,718)</u>		(vii)		<u>(79.9) cents</u>
Pro forma adjusted and unaudited consolidated net tangible assets financed by capital and Investor's advances			(viii)	<u>156,144</u>	<u>1.52 cents</u>
<i>Less:</i> Advances from Investor's loans	–	30,039	(iv)	30,039	
Convertible Notes	–	30,000	(v)	30,000	
Pro forma adjusted and unaudited consolidated net tangible assets at Closing			(viii)	<u>96,105</u>	<u>0.93 cents</u>
Upon full conversion of the Convertible Notes				<u>30,000</u>	
Pro forma adjusted and unaudited consolidated net tangible assets upon Closing and assuming full conversion of the Convertible Notes			(ix)	<u>126,105</u>	<u>0.71 cents</u>

(b) Assuming all the plant and machinery are subject to third party claims

Proforma adjusted and unaudited consolidated net tangible assets

	Financed by capital and Investor's advances <i>HK\$'000</i>	Amount of Closing <i>HK\$'000</i>	Amount at Closing and assuming full conversion of the Convertible Notes <i>HK\$'000</i>
Amount per above	156,144	96,105	126,105
<i>Less:</i> Value of plant and machinery	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>
	<u>108,144</u>	<u>48,105</u>	<u>78,105</u>
	<i>cents</i>	<i>cents</i>	<i>cents</i>
Amount per share	<u>1.05</u>	<u>0.47</u>	<u>0.44</u>

Notes:

(i) Adjustment to fixed assets:

	<i>HK\$'000</i>
Plant and machinery	
Book value as at 31 March, 2002	62,088
Valuation as at 31 May, 2002 (<i>see note (vi)</i>)	<u>48,000</u>
Decrease in value of plant and machinery	14,088
Write-off of motor vehicles	<u>911</u>
Decrease in value of fixed assets	<u>14,999</u>

(ii) Adjustment to bank and cash balances:

	<i>HK\$'000</i>
Subscription	40,000
Issue of Convertible Notes	<u>30,000</u>
	<u>70,000</u>
Application:	
Debt Restructuring	<u>40,000</u>
	<u>40,000</u>
Net adjustment	<u>30,000</u>

(iii) Adjustment to trade and other payables:	<i>HK\$'000</i>
Increase in Group liabilities	3,040
Adjustment in relation to intercompany balances <i>(Note)</i>	69,388
Cash settlement under the Debt Restructuring	(40,000)
Repayment of PRC Liabilities from DK Advances	(22,694)
Amount in relation to companies transferred to scheme administrators	(1,999)
Amount written off by creditors	(404,596)
	<u>(396,861)</u>

Note: The outstanding intercompany balances were set-off against other inter-group balances at consolidation at 31 March, 2002. All intercompany current account balances have not been changed since 31 March, 2002. Since all creditors of Keview and the Company will be subject to the Debt Restructuring, whether or not they are intercompany balances, the liabilities of the Group are restated to included these intercompany balances. The adjustment represents the intercompany balances netted off in preparing the consolidated accounts of the Company at 31 March, 2002 minus account of write-off by intergroup companies under the Debt Restructuring.

(iv) Estimated amount due to the Investor outstanding immediately at Closing:	<i>HK\$'000</i>
Amount of DK Advances	
– drawn up to 17 July, 2002	18,861
– expected to be drawn at Closing	
– repayment to Keview Provisional Liquidators	3,750
– interest thereon and exchange adjustments	83
	<u>22,694</u>
– accrued interest	225
	<u>22,919</u>
Loans from the Investor to settle general operating expenses of the Company	7,120
	<u>30,039</u>
(v) Issue of Convertible Notes to raise working capital	<u>30,000</u>

(vi) The Company has arranged a valuation of the plant and machinery physically located at the factory of Dongguan Kepo as at 31 May, 2002, excluding machinery that is subject of a lease agreement, a hire purchase agreement or a validly supported claim from a third party. **Most of the former directors of the Company, former senior management and former accounting personnel of the Group have left the Group. Without the assistance of the senior management of the Group, the Provisional Liquidators have been unable to locate sufficient documentary information to satisfy themselves regarding the legal title to the plant and machinery.** The valuation report of the plant and machinery has been prepared on the assumption that the Group has title to these plant and machinery, if it is proved otherwise, the value of fixed assets and thus the proforma adjusted and unaudited consolidated net tangible assets of the Group will be reduced accordingly.

(vii) Based on 320,000,000 Existing Shares currently in issue.

(viii) Based on the expected number of 10,280,000,000 New Shares in issue immediately after Closing.

(ix) Based on the estimated number of 17,780,000,000 New Shares in issue immediately after Closing and assuming full conversion of the Convertible Note.

H. TIMETABLE

The following events are conditional on, amongst other things, the availability of the Hong Kong Court and the Bermuda Court. Further announcements will be made to update the Shareholders and potential investors as and when appropriate.

In relation to the Restructuring Agreement

2002

Creditors' Meetings	16 July
Bermuda Court hearing of petition to sanction the Bermuda Scheme	1 August
Hong Kong Court hearing of petition to sanction the HK Scheme	1 August
Latest time for lodging forms of proxy for the SGM	10:00 a.m. on 10 August
SGM	10:00 a.m. on 12 August
Announcement of results of the SGM	13 August
Closing	16 August
Announcement of Closing and the Creditors' Schemes becoming effective	19 August

In relation to the Capital Restructuring

2002

Existing counter for trading in Existing Shares in board lots of 2,000 Existing Shares closes	19 August
Temporary counter for trading in New Shares in board lots of 1,750 New Shares (in the form of existing share certificates) opens	19 August
First day of free exchange of existing share certificates for new share certificates for New Shares	19 August
First day of operation of odd lot trading facility	19 August
Existing counter for trading in New Shares in board lots of 20,000 New Shares (in the form of new share certificates) re-opens	2 September
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) starts	2 September
Temporary counter for trading in New Shares in board lots of 1,750 New Shares (in the form of existing share certificates) closes	24 September
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) ends	24 September
Last day of operation of odd lot trading facility	24 September
Free exchange of existing share certificates for new share certificates for New Shares ends	26 September

GENERAL

The Restructuring Proposal is conditional on, amongst other things, the results of the SGM. Accordingly, there is no guarantee that the Restructuring Agreement will be completed. Further announcements will be made to update the Shareholders or potential investors as and when appropriate.

DEFINITIONS

Capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements, unless expressly defined below:

Authorised Share Capital Increase	the increase of the authorised share capital of the Company from HK\$875,000 to HK\$40,000,000 divided into 40,000,000,000 New Shares immediately upon the Share Subdivision becoming effective
Bermuda Court	the Supreme Court of Bermuda
Bermuda Scheme	the scheme of arrangement under section 99 of the Companies Act to be entered into between the Company and the Kessel Creditors, with or subject to any modification thereof or addition thereto or condition approved or imposed by the Bermuda Court
Capital Reduction	the reduction of the nominal value of each Consolidated Share of HK\$0.80 to HK\$0.007
Capital Restructuring	the Share Consolidation, the Capital Reduction, the Share Subdivision and the Authorised Share Capital Increase
Compromise Amount	the sum of HK\$8,700,000 less the costs, fees and expenses of the Kevew Provisional Liquidators
Consolidated Share(s)	new ordinary share(s) of HK\$0.80 each in the share capital of the Company upon the Share Consolidation becoming effective
Conversion Shares	the New Shares to be issued by the Company pursuant to the terms and conditions of the Convertible Notes
Convertible Notes	the convertible notes in an aggregate principal amount of HK\$30,000,000 due on the fifth anniversary of the date of its issue to be issued by the Company in denomination of HK\$500,000 each and to be subscribed by Yue Fung and Simply Noble in equal proportion
Creditors' Meetings	the meetings of the Kessel Creditors convened at the directions of the Hong Kong Court and the Bermuda Court, to consider and, if thought fit, approve the Creditors' Schemes or any adjournment thereof
Existing Share Option Scheme	the share option scheme adopted by the Company on 2 September, 1997 for the granting of share options to employees of the Group, including any executive director of the Company or any of its subsidiaries
Existing Share(s)	as the context may require, existing issued and/or unissued share(s) of HK\$0.10 each in the capital of the Company

HK Scheme	the scheme of arrangement under section 166 of the Companies Ordinance to be entered into between the Company and the Kessel Creditors, with or subject to any modification thereof or addition thereto or condition approved or imposed by the Hong Kong Court
Hong Kong Court	the Court of First Instance of the High Court of Hong Kong
Keview Compromise Agreement	the compromise agreement entered into between Keview, the Keview Provisional Liquidators and the Keview Creditors on 19 July, 2002
New Share Option Scheme	the share option scheme which is proposed to be adopted by the Company
New Share(s)	new ordinary share(s) of HK\$0.001 each in the share capital of the Company upon the capital reorganisation becoming effective
Outstanding Indebtedness	means, in relation to a Keview Creditor, the amount due or owing (whether or principal or interest) to such creditor by Keview on the calculation date
Reduced Share(s)	the ordinary share(s) of HK\$0.007 each in the capital of the Company created upon the Capital Reduction becoming effective
Scheme Administrators	such persons who are appointed as scheme administrators pursuant to the terms of the Creditors' Schemes
Scheme Document	the explanatory statement and the schemes of arrangement dated 24 June, 2002 despatched to the Kessel Creditors in relation to the Creditors' Schemes
Shares	the Consolidated Shares, the Existing Shares, the New Shares or the Reduced Shares as the case may be
Share Consolidation	the consolidation of every eight Existing Shares into one Consolidated Share
Share Subdivision	the proposed subdivision of each issued and unissued Reduced Share on the basis of one Reduced Share to be subdivided into seven New Shares
Simply Noble	Simply Noble Limited, a company incorporated in the British Virgin Islands, is ultimately and beneficially owned by the Simply Noble Trust whose discretionary objects include Messrs. Lee Wing Kan, Li Wing Bun and Lee Wing Chan

Subscription Proceeds

the cash consideration of HK\$40,000,000 payable in respect of the Subscription

By order of the board of
**KESSEL INTERNATIONAL
HOLDINGS LIMITED**

(Provisional Liquidators Appointed)

Tam Chi Kok, Gabriel

*Joint and Several Provisional Liquidator
acting as agent of the Company*

By order of the board of
**YUE FUNG INTERNATIONAL GROUP
HOLDING LIMITED**

Lee Wing Kan

Chairman and Managing Director

Hong Kong, 19 July, 2002

The Kessel Provisional Liquidators, as agents of the Company, jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than the information relating to the Investor and Yue Fung and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of the Investor and Yue Fung, jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than the information relating to the Group and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

“Please also refer to the published version of this announcement in the China Daily”.