AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2007

CONTENTS

Financial Highlights

	2007	2006	2005
	HK$'million	*HK$'million*	*HK$'million*
Revenue			
– Marketing and distribution	**3,055.0**	2,178.9	1,878.2
– Design and Manufacture	**44.8**	273.3	409.1
	3,099.8	2,452.2	2,287.3
Earnings before interest, tax, depreciation, amortisation and non-cash items			
– Corporate	**24.8**	4.2	0.9
– Marketing and distribution	**47.1**	47.4	37.5
– Design and manufacture	**(21.0)**	(54.9)	47.2
– Gain on disposal of an available-for-sale investment	**–**	37.5	197.7
	50.9	34.2	283.3
Depreciation, amortisation and non-cash items	**(91.9)**	1.0	(29.5)
Profit/(loss) for the year			
– Equity holders of the Company	**(69.9)**	10.5	210.1
– Minority interests	**–**	(2.2)	–
	(69.9)	8.3	210.1
Dividends			
– Interim	**–**	–	11.3
– Proposed final	**–**	8.1	64.8
	–	8.1	76.1
Earnings/(loss) per share (HK cents)	**(17.3)**	2.6	51.9
Dividends per share (HK cents)			
– Interim	**–**	–	2.8
– Proposed final	**–**	2.0	16.0
	–	2.0	18.8

Financial Highlights

	2007	2006	2005
	HK$'million	*HK$'million*	*HK$'million*
Total assets	**939.7**	969.5	1,050.9
Total assets less current liabilities	**358.0**	432.7	494.7
Total equity	**345.4**	417.1	473.9
Bank debts	**414.8**	394.2	353.5
Cash and cash equivalents	**139.2**	164.9	219.0
Equity investments under current assets	**201.1**	138.3	89.7
Cash and cash equivalents and equity investments	**340.3**	303.2	308.7
Net debt	**74.5**	91.0	44.8
Net debt to total equity (%)	**22%**	22%	9%
Current assets to current liabilities (%)	**144%**	150%	168%
Cash and cash equivalents and equity investments per share (HK$)	**0.84**	0.75	0.76
Total equity per share (HK$)	**0.85**	1.03	1.17
Revenue to property, plant and equipment (x)	**36.6**	26.1	21.9
Revenue to inventories (x)	**13.1**	12.2	8.3
Revenue to trade receivables (x)	**14.0**	9.1	7.2
Revenue to trade payables and accrued expenses (x)	**23.2**	21.2	12.4
Revenue to bank debts (x)	**7.5**	6.2	6.5

Corporate Information

BOARD OF DIRECTORS

Executive Directors

So Yuk Kwan *(Chairman)*

Lee Jeong Kwan *(CEO)*

So Chi On *(CEO)*

Independent Non-Executive Directors

Dr. Hon. Lui Ming Wah, SBS, JP

Charles Edward Chapman

Wong Ka Kit

QUALIFIED ACCOUNTANT AND CHIEF FINANCIAL OFFICER

Wong Hei Pui, Andy, CPA, CPA (Aust.)

COMPANY SECRETARY

Chan Lap Sau, Anita

REGISTERED OFFICE

P. O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS

6th Floor
Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Hong Kong

PRINCIPAL BANKERS

DBS Bank

Hang Seng Bank

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

Baker & McKenzie

Rebecca Lo & Co.

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR

HSBC Financial Services (Cayman) Limited
P. O. Box 1109
90 North Church Street
Strathvale House, 2nd Floor
Grand Cayman KY1-1102
Cayman Islands

BRANCH SHARE REGISTRAR

Tengis Limited
(to be renamed as Tricor Tengis Limited with effect from 1 August 2007)
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE ADDRESS

www.avconcept.com

STOCK CODE

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CHAIRMAN'S STATEMENT

A Commitment to Deliver Quality

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the annual results of AV Concept Holdings Limited and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2007.

The fiscal year 2006/2007 was certainly one of the toughest years for the Group. Yet, the Group managed to achieve steady growth in turnover and its well-founded electronics distribution business achieved healthy organic growth and continued to contribute to the Group's profits.

A loss was recorded for the year though mainly due to the recognition of impairment loss against the carrying value of a warrant, the write-off of unlisted equity investment in the organic light-emitting diodes business and the recognition of total non-cash expenses in relation to the design and manufacturing business.

Although distribution business remained as the core revenue contributor of the Group during the year, it faced increasingly intensive market competition. Hence, the Group has begun to restructure its business model undertaking steps such as realigning focus on manufacturing products with longer life cycles and higher margins for niche markets such as special care electronic products for the aged and the disabled. It will take some time for the restructuring process to bear fruits, but the management believes this crucial step will contribute to a brighter future of the Group.

Looking ahead, following the new business direction, the management will adjust and tailor strategies to help the Group raise profits and margins. The core business of electronics distribution will continue to be a stable and substantial income source for the Group. With a firm foothold in the semiconductor distribution industry, the Group will strive to expand its client portfolio and boost value added services to strengthen its competitive edge. At the same time, it will focus on extending efforts to the design and manufacturing of special-care electronic products to tap the niche market.

In addition, the Group will seek to distribute its niche and state-of-the-art medical products to hospital and clinics. The Group's extensive distribution network in the PRC and Asia as well as solid relationship with suppliers over the years give us the edge in developing this business. With health care, social welfare and aging population topping the list of concerns in countries around the world especially fast growing economies like the PRC and other Asian countries, we believe competitively priced high quality medical products will be in great demand and well received by the market.

Going forward, the Group will continue to strengthen its traditional businesses and, at the same time, actively explore business opportunities that promise high growth potential and good margins. We aim for a strong business recovery and have full confidence in delivering improved financial performance in the coming year.

APPRECIATION

I would like to take this opportunity to thank members of the Board and the management team for their efforts in reinventing the Group. I would also like to thank our staff for their continuous commitment and hard work. I am confident that with our new strategies in place, and the diligence of our staff, we will be able to achieve the long term goal of achieving satisfactory returns for our shareholders.

So Yuk Kwan
Chairman

Hong Kong
11 July 2007

MANAGEMENT

Discussion and Analysis

Management Discussion and Analysis

The following sets out the financial highlights for the year ended 31 March 2007, with the comparative figures for the corresponding financial year of 2006.

	2007	2006
	HK$'million	*HK$'million*
Revenue		
Marketing and distribution	**3,055.0**	2,178.9
Design and manufacture	**44.8**	273.3
	3,099.8	2,452.2
Earnings before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**24.8**	4.2
Marketing and distribution	**47.1**	47.4
Design and manufacture	**(21.0)**	(54.9)
Gain on disposal of an available-for-sale investment	**–**	37.5
	50.9	34.2
Depreciation, amortisation and non-cash items		
Marketing and distribution	**(7.0)**	(4.7)
Design and manufacture	**(34.8)**	(33.9)
Impairment of an available-for-sale investment	**(42.3)**	–
Gain on disposal of a subsidiary	**–**	39.6
Write-off of an available-for-sale investment	**(7.8)**	–
	(91.9)	1.0
Earnings before interest and tax	**(41.0)**	35.2
Interest expenses	**(21.2)**	(19.0)
Profit/(loss) before tax	**(62.2)**	16.2
Tax	**(7.7)**	(7.9)
Profit/(loss) for the year	**(69.9)**	8.3

Management Discussion and Analysis

BUSINESS REVIEW

The Group's turnover for the financial year ended 31 March 2007 reached approximately HK$3.1 billion, representing an increase of 26.4% against last year (FY2005/2006: HK$2.5 billion). This was attributable to the healthy growth of distribution business. EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) for the year improved to HK$50.9 million (FY2005/2006: HK$34.2 million). Net loss for the year was approximately HK$69.9 million (FY2005/2006: profit for the year of HK$8.3 million).

The substantial change in financial performance was mainly due to the following reasons:

- the recognition of impairment loss of HK$42.3 million against the carrying value of a Warrant (as hereinafter defined);

- the write-off of unlisted equity investment of HK$7.8 million in a company in South Korea which was engaged in the manufacture and sale of organic light-emitting diodes ("OLED"); and

- the recognition of total non-cash expenses of HK$34.8 million in relation to the design and manufacturing business.

On 1 August 2005, the Group completed the first phase of the cooperation with BreconRidge Manufacturing Solutions Corporation ("BreconRidge") by disposing 50% of the Group's equity interests in AV BreconRidge Limited ("AV BreconRidge") in consideration for a warrant which entitles the Group to subscribe for certain common shares in BreconRidge (the "Warrant"). A disposal gain (net of transaction cost) of HK$39.6 million was therefore recorded from the disposal of the first tranche shares in AV BreconRidge in the previous financial year.

Pursuant to the terms of the agreement, it was agreed that subject to the occurrence of a liquidity event (involving the listing of the shares of BreconRidge on certain international stock exchanges), the Group shall, at final closing, exercise the Warrant and in addition, dispose the remaining 50% shares in AV BreconRidge to BreconRidge (the "Final Closing"), the details of which have already been disclosed in the Company's Annual Report 2006 and in the relevant announcements and circulars relating to the transaction.

As the liquidity event has yet to occur, an impairment loss of HK$42.3 million was recorded in the current year but the amount of such impairment loss will be reassessed upon Final Closing. Accordingly, the Warrant was valued at HK$18.4 million as at 31 March 2007 (31 March 2006: HK$60.7 million).

Heeding the challenging operation environment for MP3 business, the Group discontinued the non-profit making business in the last financial year. The negative EBITDA incurred by the design and manufacturing business was therefore narrowed down to HK$21.0 million in the current year (FY2005/2006: negative EBITDA of HK$54.90 million). In order to enable the Group to re-align the focus of the business segment to the markets with high margin and longer life cycles, the Group's design and manufacturing business recorded a total amount of HK$34.8 million non-cash expenses/losses which included depreciation and amortisation, inventory and bad debt provision, and loss on disposal of property, plant and equipment.

BUSINESS REVIEW *(continued)*

Marketing and Distribution Business

During the year under review, the segment recorded a turnover of HK$3.1 billion (FY2005/2006: HK$2.2 billion), a 40.2% growth, and the segmental EBITDA was maintained at HK$47.10 million (FY2005/2006: HK$47.4 million). The marketing and distribution business remained as the Group's core revenue contributor, accounting for 99% of its total turnover.

Demand for the Group's flash memory products and semiconductor products continued to record stable and satisfactory growth. However, fierce competition in the market dragged down its average selling prices which in turn squeezed the Group's profit margins. In spite of the tough market conditions, the Group diversified its distribution business and expanded its customer base in order to maintain the business margin. In the current year, the segmental profit was HK$40.3 million (FY2005/2006: segmental profit of HK$42.8 million).

In order to expand and strengthen its comprehensive sales and distribution network, the Group set up additional representative offices in major cities in the Mainland China during the year. In November 2006, the Group opened a representative office in Beijing.

Design and Manufacturing Business

After the Group exited the MP3 business in the previous financial year, it re-aligned the focus of the business segment to high margin products with longer life cycles for niche markets such as special care products for the aged and disabled. During the year under review, this business segment recorded sales of HK$44.8 million, mainly due to the sales of special care electronics. North America remained as the major market for this segment with the world's largest supplier of low-vision-aid products as one of its key clients. The Group saw strong potential in this business and therefore will continue to keep its eyes on suitable opportunities for widening its customer base.

Medical Equipment Distribution Business

The demand for the medical equipment is rising worldwide especially the products for global aging and special-need population. To cater to this increasing demand, the Group also seeks to diversify its business into the distribution of niche medical equipments with the support of its extensive distribution network in Asia, Korea and the Mainland China will be its major focuses.

Regarding the distribution of balanceback™ equipment for treating balance disorders and Korean-made medical equipment for providing quality medical equipments to hospitals and clinics in the Mainland China, the Group has applied and is waiting for approval of distribution licenses in the region. At the same time, the Group has started pre-marketing efforts and building a distribution network in the Mainland China. The medical equipment distribution segment will take time to develop but its future looks prosperous. The management will continue to explore the opportunities to distribute other niche medical equipments and expects the medical equipment distribution business to start contributing profit in the coming years.

BUSINESS REVIEW *(continued)*

Joint Venture with BreconRidge

The Group formed a joint venture with its long-term business partner, Canadian EMS giant BreconRidge, by way of exchanging interest of shares. BreconRidge provides a full range of EMS from design engineering, development testing, supply chain management and after sales support to customers. During the year under review, by leveraging BreconRidge's world-class engineering expertise, the joint venture saw its manufacturing facilities and technology level upgraded. The cooperation has also allowed the Group to streamline its manufacturing business and access BreconRidge's prominent client base. The Group will continue to put efforts on generating more new businesses for the joint venture. It expects the partnership to generate good returns for shareholders in the long run.

PROSPECTS

This year was the toughest year for the Group. The Group expects its performance to improve significantly in the coming financial year. Looking forward, the Group will continue to consolidate its cash cow distribution business and, at the same time, actively seek profitable business opportunities that promise lucrative margins and growth potential.

Marketing and Distribution Business

With a consistently strong track record, the electronics distribution business will remain as the Group's growth driver and revenue contributor. The Group will strengthen the competitive edge of the business by boosting its value-added services. It will strive to consolidate its position as a reliable semiconductors distributor in the Asia Pacific region for Samsung Electronics and Fairchild products. The management is aware of the challenges that may impact the industry and the Group's business. To combat these challenges such as rising interest rates, labour cost and pricing pressure, the Group has implemented a series of measures to improve cost effectiveness. These measures included tightening inventory control and diversifying the Group's distribution portfolio to boost margin and grow market share.

Design and Manufacturing Business

With years of experience working with the world's top special-care electronics producer, the Group believes that it has the capability to capture the strong potential of the niche market. This market does not generally pose fast growth, however, with high entry barriers, the market itself promises high profit margins for established players. The Group, with its well established distribution network in Asia, is poised to capture the rising demand in the market as governments worldwide become increasingly aware of their responsibilities to provide financial aid to the needy for purchasing the niche products.

Following the Group's development plans, the management will explore business opportunities that can bring growth and high returns to the Group and, at the same time, seek to maintain the unique competence of its traditional business. The Group will aim for a strong business recovery and growth in the next financial year to enhance shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 31 March 2007 and 31 March 2006, with the corresponding gearing ratio are set out below.

	2007	2006
	HK$'million	*HK$'million*
Bank debts	**414.8**	394.2
Cash and cash equivalents	**139.2**	164.9
Equity investments under current assets	**201.1**	138.3
Cash and cash equivalents and equity investments	**340.3**	303.2
Net debt	**74.5**	91.0
Total equity	**345.4**	417.1
Net debt to total equity	**22%**	22%

As at 31 March 2007, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK$139.2 million (2006: HK$164.9 million), while the Group's equity investments at fair value through profit or loss amounted to HK$201.1 million (2006: HK$138.3 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The net debt to total equity ratio as at 31 March 2007 was 22% (2006: 22%), while the Group's total equity as at 31 March 2007 was HK$345.4 million (2006: HK$417.1 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2007 of HK$340.3 million (2006: HK$303.2 million).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The reconciliation and analysis of change in net debt for the financial year of 2007 and 2006 are set out below.

	2007	2006
	HK$'million	*HK$'million*
Earnings before interest, tax, depreciation, amortisation and non-cash items	**50.9**	34.2
Change in working capital	**6.4**	47.8
Interest paid	**(21.3)**	(17.7)
Purchase of an available-for-sale investment	**–**	(7.8)
Tax paid	**(4.1)**	(1.4)
Net capital expenditure	**(3.2)**	(28.4)
Disposal of a subsidiary	**(0.6)**	(3.2)
Others	**(3.5)**	(4.9)
Decrease in net debt before dividends paid	**24.6**	18.6
Dividends paid	**(8.1)**	(64.8)
Decrease/(increase) in net debt	**16.5**	(46.2)
Analysis of change in net debt:		
Net debt at beginning of year	**91.0**	44.8
Change in net debt	**(16.5)**	46.2
Net debt at end of year	**74.5**	91.0

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The working capital position of the Group remains healthy. As at 31 March 2007, the liquidity ratio was 144% (2006: 150%).

	2007	2006
	HK$'million	*HK$'million*
Current assets	**835.2**	805.1
Current liabilities	**(581.7)**	(536.7)
Net current assets	**253.5**	268.4
Current assets to current liabilities (%)	**144%**	150%

The management is confident that the Group follows a policy of prudence in managing its treasury position, and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

EMPLOYEES

As at 31 March 2007, the Group employed a total of approximately 850 (2006: approximately 1,500) full-time employees.

The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates a share option scheme for eligible employees to provide incentive to the participants for their contribution and continuing efforts to promote the interests of the Group.

BIOGRAPHICAL

Details of Directors

EXECUTIVE DIRECTORS

Mr. So Yuk Kwan, aged 58, is the founder and Chairman of the Group. He is responsible for overseeing the functioning of the Board to ensure that the Board acts in the best interest of the Company. Mr. So has over 32 years' experience in the electronics industry. Mr. So holds a Master Degree in Business Administration from the University of East Asia and he is also a Fellow Member of the British Institute of Management. Presently, he is the Vice Chairman of both of the Executive Committee and the External Affairs Sub-Committee of The Hong Kong Electronic Industries Association and Vice President of The Hong Kong Semiconductor Industry Council. Mr. So is also a member of the Electronics Advisory Committee of Hong Kong Trade Development Council, a Fellow Member of The Hong Kong Institute of Directors, the Honorary Chairman of Advisory Committee (Industry) of Cooperative Education Centre of City University of Hong Kong, a Fellow Member of CEO Club of The Hong Kong Polytechnic University and a Director of Yan Chai Hospital Board. Mr. So Yuk Kwan is the father of Mr. So Chi On.

Mr. Lee Jeong Kwan, aged 47, is the Chief Executive Officer in charge of the Group's semiconductors distribution business. Mr. Lee has extensive experience in the semiconductors industry. Prior to joining the Group in year 2000, Mr. Lee held various senior management positions with Samsung Electronics Corporation in Hong Kong and Korea. Mr. Lee holds a Bachelor of Science Degree in Electronics Engineering from Hanyang University, the Republic of Korea.

Mr. So Chi On, aged 30, is the Chief Executive Officer responsible for strategic corporate development as well as business development of the Group's medical equipment and special-care electronics products. Mr. So joined the Group in 1999 and he was appointed as an Executive Director of the Company in March 2001. Mr. So holds a Bachelor Degree of Business Administration from the University of Wisconsin Madison. Mr. So Chi On is the son of Mr. So Yuk Kwan.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hon. Lui Ming Wah, SBS, JP, aged 69, has been an independent non-executive director of the Company since 1996. Dr. Lui is an established industrialist and a member of the Legislative Council of the HKSAR. Dr. Lui is also a member of the Chinese People's Political Consultative Conference, an Honorary Chairman of The Hong Kong Electronic Industries Association, the Hon. Chairman of Hong Kong Shandong Chamber of Commerce and an Executive Committee Member of the Chinese Manufacturers Association of Hong Kong. In addition, he is also an Advisor of Hong Kong International Arbitration Centre, Vice Chairman of Independent Police Complaints Council, a standing committee member of the Shandong Committee of the Chinese People's Political Consultative Conference and a council member of The Hong Kong Polytechnic University. Dr. Lui obtained a Master Degree in Applied Science from the University of New South Wales in Australia and a Doctorate in Engineering from the University of Saskatchewan in Canada. He is currently the Managing Director of Keystone Electronics Co. Ltd.

Mr. Charles Edward Chapman, aged 58, has been an independent non-executive director of the Company since 2000. Mr. Chapman has profound experience in the electronics industry for more than 27 years. He maintains good connections with the local and overseas governments as well as trade organizations worldwide. Prior to joining The Hong Kong Electronic Industries Association as Executive Director in 1988, Mr. Chapman, a journalist by profession, worked for eleven years as Economics Editor of the Hong Kong Trade Development Council and for eight years as Business Editor of a local English-language newspaper.

Mr. Wong Ka Kit, aged 30, joined the Group in 2004. Mr. Wong is a Chartered Financial Analyst charter holder. He is a member of the CFA Institute and Hong Kong Society of Financial Analysts and holds a Bachelor Degree in Accounting, Finance and Economics from the University of Wisconsin Madison.

REPORT
of the Directors

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of the marketing and distribution of electronic components, and the design, manufacture and sale of electronic products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 35 to 102.

The directors do not recommend the payment of final dividend in respect of the year ended 31 March 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in either the Company's authorised or issued share capital during the year. Details of the Company's share capital are set out in note 29 to the financial statements.

Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK$126,655,000. In addition, the Company's share premium account, in the amount of HK$156,300,000, may be distributed in the form of fully paid bonus shares.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**3,099,846**	2,452,230	2,287,354	1,771,473	1,689,296
PROFIT/(LOSS) BEFORE TAX	**(62,159)**	16,231	242,376	142,397	17,298
Tax	**(7,722)**	(7,891)	(32,266)	(16,427)	(4,732)
PROFIT/(LOSS) FOR THE YEAR	**(69,881)**	8,340	210,110	125,970	12,566
Attributable to:					
Equity holders of the Company	**(69,881)**	10,531	210,110	125,970	12,566
Minority interests	**–**	(2,191)	–	–	–
	(69,881)	8,340	210,110	125,970	12,566

ASSETS AND LIABILITIES

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**939,711**	969,460	1,050,889	794,299	569,373
TOTAL LIABILITIES	**(594,283)**	(552,344)	(576,992)	(487,454)	(357,885)
	345,428	417,116	473,897	306,845	211,488

DIRECTORS

The directors of the Company during the year and at the balance sheet date were:

Executive directors:

Mr. So Yuk Kwan *(Chairman)*

Mr. Lee Jeong Kwan *(CEO)*

Mr. So Chi On *(CEO)*

Independent non-executive directors:

Dr. Hon. Lui Ming Wah, SBS, JP

Mr. Charles Edward Chapman

Mr. Wong Ka Kit

In accordance with article 112 of the Company's articles of association, Mr. Charles Edward Chapman and Mr. Lee Jeong Kwan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors are appointed for a specific term and they are required to retire by rotation in accordance with the Company's articles of association.

The Company has received annual confirmations of independence from Mr. Lui Ming Wah, Mr. Charles Edward Chapman and Mr. Wong Ka Kit, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers the independent non-executive directors to be independent as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in shares of the Company

(a) Interests in shares of the Company

	Number of shares and nature of interests		
Name of director	**Capacity**	**Total**	**Approximate percentage of shareholding**
Mr. So Yuk Kwan	Corporate interests	213,846,189 *(Note)*	52.79%

Note: This refers to the total number of shares held by B.K.S. Company Limited ("BKS") and Jade Concept Limited ("Jade Concept") respectively. Mr. So Yuk Kwan is deemed to be interested in 213,846,189 shares of the Company by virtue of his interests in BKS and Jade Concept, the particulars are more fully described in the section headed "Interests and Short Positions of Shareholders" below.

(b) Interests in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in note 30 to the financial statements.

Save as disclosed above, as at 31 March 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 March 2007, so far as is known to, or can be ascertained after reasonable enquiry by the directors and chief executive of the Company, the persons or corporations (other than the directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long position in shares of the Company

Name of shareholder	Number of shares held	Approximate percentage of shareholding
B.K.S. Company Limited ("BKS")	140,814,300 *(Note 1)*	34.76%
Credit Cash Limited ("Credit Cash")	140,814,300 *(Note 1)*	34.76%
Jade Concept Limited ("Jade Concept")	73,031,889 *(Note 2)*	18.03%
Madam Yeung Kit Ling ("Madam Yeung")	213,846,189 *(Notes 1 and 3)*	52.79%

Notes:

1. This refers to the same number of shares held by BKS which is a wholly-owned subsidiary of Credit Cash. Credit Cash is held as to 50% by Mr. So Yuk Kwan ("Mr. So"), a director of the Company, and as to 50% by Madam Yeung, the spouse of Mr. So. Accordingly, Mr. So and Madam Yeung are deemed to be interested in 140,814,300 shares of the Company held by BKS.

2. Jade Concept is beneficially owned by Mr. So. Accordingly, Mr. So is deemed to be interested in 73,031,889 shares of the Company held by Jade Concept.

3. As Madam Yeung is the spouse of Mr. So, she is deemed to be interested in the shares held by Jade Concept.

Save as disclosed above, as at 31 March 2007, the Company has not been notified by any person or corporation (other than the directors and chief executive of the Company whose interests are set out above) having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounting to HK$374,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 20% of total sales. Purchases from the Group's five largest suppliers for the year accounted for approximately 62% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 31%.

None of the directors of the Company or any of their associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 40 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

So Yuk Kwan
Chairman

Hong Kong
11 July 2007

CORPORATE

Governance Report

The Group is committed to maintaining high standard of corporate governance to enhance transparency and corporate value. The board of directors of the Company ("Board") continually reviews and improves its corporate governance practices to ensure the Company keeps abreast of shareholders' expectation.

The purpose of this report is to provide shareholders with information on the major principles and corporate governance practices adopted by the Company.

Throughout the year ended 31 March 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited. Further details of the Company's corporate governance practices will be described in the following sections.

BOARD OF DIRECTORS

The principal duty of the Board is to ensure that the Company is properly managed in the interest of the shareholders.

The Board, led by the Chairman, is responsible for the formulation of the Group's business objectives and strategies. Matters reserved for the Board are those affecting the Group's overall strategic policies, finance and risk management. The senior management is responsible for the day-to-day operations of the Group under the leadership of the executive directors. To this end, the senior management has to implement, follow up and monitor the business plans, internal controls and corporate governance practices developed by the Board.

Board Composition

As at 31 March 2007, the Board comprised three executive directors and three independent non-executive directors ("INEDs"). The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. One of the INEDs has appropriate professional qualifications, or accounting or related financial management expertise as required under the Listing Rules. Biographical details of the directors are set out on pages 16 to 18.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers the INEDs to be independent. Having the INEDs in the Board ensure that independent judgment is exercised and that a proper balance of power is maintained for full and effective control of the Group and its executive management. Half of the Board is comprised of INEDs. The directors believe that the existing Board composition reflects the Company's respect for high standards of business conduct commonly adopted by multinational enterprises. The INEDs perform an important role in safeguarding the Company's shareholders interests.

Each of the INEDs has entered into a service agreement with the Company for a term of one year and thereafter the appointment will be automatically renewed for successive one year period unless terminated by either party in writing prior to the expiry of the term. All the Company directors are required to retire by rotation in accordance with the Company's articles of association.

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

The Board as a whole is responsible for reviewing the Board composition (which include an assessment of the skills, knowledge and experience of the existing directors and suitable candidates) and for formulating procedures for appointment of its own members and for nominating them for election by the Company's shareholders on the first appointment and thereafter at regular intervals through the retirement by rotation process.

Chairman and Chief Executive Officer

The position of the Chairman and Chief Executive Officer ("CEO") are held by separate individuals. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board to ensure that the Board acts in the best interest of the Company. The Chairman ensures that the Board is provided with sufficient relevant information that would enable the directors to effectively discharge their responsibilities.

The Group has two CEOs and they manage the business segments in which each of them is respectively in-charge of. The CEOs are responsible for the implementation of corporate goals, business strategies and policies resolved by the Board from time to time. The CEOs assume full accountability to the Board in respect of the Group's operations.

Board meetings

Board meetings are scheduled to be held at about quarterly interval. The senior management of the Group from time to time reports to the directors information on the activities and development of the Group's business. In addition, the Company's directors have full access to information on the Group and independent professional advice whenever deemed necessary by the directors.

The attendance record of Board meetings held during the year is as follows:

Name of Directors	Attendance
Executive Directors	
Mr. So Yuk Kwan *(Chairman)*	4/4
Mr. Lee Jeong Kwan *(Chief Executive Officer)*	4/4
Mr. So Chi On *(Chief Executive Officer)*	4/4
Independent Non-Executive Directors	
Mr. Lui Ming Wah	4/4
Mr. Charles Edward Chapman	4/4
Mr. Wong Ka Kit	4/4

BOARD COMMITTEES

The Board has established two committees with clearly defined written terms of reference. The independent views and recommendations of the two committees ensure the maintenance of proper internal controls within the Group.

Audit Committee

The Company has established the Audit Committee since 1999. The existing Audit Committee of the Company comprises three INEDs, namely Mr. Lui Ming Wah (Chairman of the Audit Committee), Mr. Charles Edward Chapman and Mr. Wong Ka Kit.

The terms of reference of the Audit Committee was revised on 1 January 2005 in terms substantially the same as the code provisions of the CG Code. The principal duties of Audit Committee include (i) review of the Group's financial information; (ii) review and supervision of the Group's financial reporting system and internal control procedures; and (iii) review of the relationship with the Company's external auditors.

During the year, two Audit Committee meetings were held and all the Audit Committee members had attended the meetings. The Audit Committee had reviewed the Group's audited annual results for the year ended 31 March 2006 and the interim results for the six months ended 30 September 2006. In addition, the Audit Committee members had also reviewed and discussed with the management the accounting principles and practices adopted by the Group, which include the auditing, internal control and financial reporting matters.

Remuneration Committee

The Company's Remuneration Committee was established in 2005 and consists of three INEDs. The existing Remuneration Committee is chaired by Mr. Lui Ming Wah and the other members include Mr. Charles Edward Chapman and Mr. Wong Ka Kit. One Remuneration Committee meeting was held during the year and all members had attended the meeting.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to the Company's performance and profitability as well as remuneration benchmarks in the industry and the prevailing market conditions. No director or any of his associates shall be involved in deciding his own remuneration. The Remuneration Committee normally meets once a year and at other times as required. The Remuneration Committee had reviewed the directors' remuneration for the year ended 31 March 2007.

INTERNAL CONTROL

The Board reviews the Group's internal control system from time to time and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' interests. An overall review on the effectiveness of the internal control system will be discussed half-yearly with the Audit Committee.

During the financial year under review, the directors had arranged to conduct reviews over the effectiveness of the Group's internal control system to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Group assets, providing reliable financial reporting, and complying with applicable laws and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry with the directors, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2007.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors amounted to HK$1,426,000 in respect of audit services. There have been no significant non-audit services rendered by the Company's independent auditors during the year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Finance Department which is under the supervision of the Chief Financial Officer, the directors ensure the preparation and publication of the Group's financial statements in a timely manner in accordance with the applicable laws, rules, regulations and accounting standards. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

A statement by the Company's auditors about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditors' Report on pages 32 to 33.

INDEPENDENT
Auditors' Report

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

■ Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

■ 執業會計師
香港中環金融街8號
國際金融中心2期18樓

To the shareholders of AV Concept Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of AV Concept Holdings Limited set out on pages 35 to 102, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

11 July 2007

CONSOLIDATED

Financial Statements

Consolidated Income Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**3,099,846**	2,452,230
Cost of sales		**(3,010,524)**	(2,337,426)
Gross profit		**89,322**	114,804
Other income and gains	5	**45,930**	15,776
Selling and distribution costs		**(38,003)**	(69,824)
Administrative expenses		**(71,417)**	(78,142)
Gain on disposal of a subsidiary	32	**–**	39,552
Gain on disposal of an available-for-sale investment		**–**	37,473
Other expenses		**(66,744)**	(24,333)
Finance costs	7	**(21,247)**	(19,075)
PROFIT/(LOSS) BEFORE TAX	6	**(62,159)**	16,231
Tax	10	**(7,722)**	(7,891)
PROFIT/(LOSS) FOR THE YEAR		**(69,881)**	8,340
Attributable to:			
Equity holders of the Company	11	**(69,881)**	10,531
Minority interests		**–**	(2,191)
		(69,881)	8,340
DIVIDEND	12		
Proposed final		**–**	8,102
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**(17.3 cents)**	2.6 cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**84,717**	94,024
Other intangible assets	15	**1,431**	1,817
Interests in associates	17	**–**	–
Available-for-sale investments	18	**18,400**	68,484
Total non-current assets		**104,548**	164,325
CURRENT ASSETS			
Due from a jointly-controlled entity	19	**3,143**	3,660
Inventories	20	**236,955**	200,361
Trade receivables	21	**221,992**	269,316
Prepayments, deposits and other receivables	22	**32,786**	28,361
Equity investments at fair value through profit or loss	23	**201,126**	138,294
Tax recoverable		**–**	274
Cash and bank balances	24	**107,582**	135,328
Time deposits	24	**31,579**	29,541
Total current assets		**835,163**	805,135
CURRENT LIABILITIES			
Trade payables and accrued expenses	25	**133,453**	115,495
Interest-bearing bank borrowings	26	**402,890**	378,881
Finance lease payables	27	**888**	1,215
Tax payable		**44,489**	41,121
Total current liabilities		**581,720**	536,712
NET CURRENT ASSETS		**253,443**	268,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**357,991**	432,748
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**9,618**	11,922
Finance lease payables	27	**1,385**	2,150
Deferred tax liabilities	28	**1,560**	1,560
Total non-current liabilities		**12,563**	15,632
Net assets		**345,428**	417,116

Consolidated Balance Sheet

31 March 2007

	Notes	2007	2006
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*29*	**40,508**	40,508
Reserves	*31(a)*	**304,920**	368,506
Proposed final dividend	*12*	**–**	8,102
Total equity		**345,428**	417,116

So Yuk Kwan
Director

Lee Jeong Kwan
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

		Attributable to equity holders of the Company									
		Issued capital	Share premium account	Capital reserve #	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits ##	Proposed final dividend	Total	Minority interests	Total equity
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005		40,508	156,300	13,872	60,929	(3,317)	201,721	64,813	534,826	–	534,826
Capital contribution by minority shareholders of a subsidiary		–	–	–	–	–	–	–	–	2,191	2,191
Exchange realignment		–	–	–	–	(2,499)	–	–	(2,499)	–	(2,499)
Changes in fair value of an available-for-sale investment		–	–	–	(23,456)	–	–	–	(23,456)	–	(23,456)
Total income and expense for the year recognised directly in equity		–	–	–	(23,456)	(2,499)	–	–	(25,955)	2,191	(23,764)
Profit for the year		–	–	–	–	–	10,531	–	10,531	(2,191)	8,340
Total income and expense for the year		–	–	–	(23,456)	(2,499)	10,531	–	(15,424)	–	(15,424)
Release upon disposal of an available-for-sale investment		–	–	–	(37,473)	–	–	–	(37,473)	–	(37,473)
Final 2005 dividend declared		–	–	–	–	–	–	(64,813)	(64,813)	–	(64,813)
Proposed final 2006 dividend	12	–	–	–	–	–	(8,102)	8,102	–	–	–
At 31 March 2006		40,508	156,300*	13,872*	–*	(5,816)*	204,150*	8,102	417,116	–	417,116

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Capital reserve #	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits##	Proposed final dividend	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	40,508	156,300	13,872	–	(5,816)	204,150	8,102	417,116	–	417,116
Exchange realignment	–	–	–	–	6,295	–	–	6,295	–	6,295
Total income and expense recognised directly in equity	–	–	–	–	6,295	–	–	6,295	–	6,295
Loss for the year	–	–	–	–	–	(69,881)	–	(69,881)	–	(69,881)
Total income and expense for the year	–	–	–	–	6,295	(69,881)	–	(63,586)	–	(63,586)
Final 2006 dividend declared	–	–	–	–	–	–	(8,102)	(8,102)	–	(8,102)
At 31 March 2007	40,508	156,300*	13,872*	–*	479*	134,269*	–	345,428	–	345,428

\# Included in the balance of the capital reserve as at 31 March 2007 is a capital redemption reserve balance amounting to approximately HK$12,491,000 (2006: HK$12,491,000).

\## As at 31 March 2007, there was goodwill of HK$12,470,000 (2006: HK$12,470,000) arising on the acquisition of subsidiaries in prior years remaining eliminated against the consolidated retained profits.

* These reserve accounts comprise the consolidated reserves as at 31 March 2007 of HK$304,920,000 (2006: HK$368,506,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(62,159)**	16,231
Adjustments for:			
Finance costs	*7*	**21,247**	19,075
Depreciation	*6*	**10,796**	15,268
Amortisation of other intangible assets	*6*	**53**	852
Impairment of other intangible assets	*6*	**432**	261
Write-off of other intangible assets	*6*	**–**	938
Impairment of trade receivables	*6*	**1,071**	3,170
Impairment of slow moving inventories	*6*	**6,109**	–
Write-off of slow moving inventories	*6*	**20,271**	–
Reversal of impairment of items of property, plant and equipment	*6*	**(1,278)**	–
Loss on disposal of items of property, plant and equipment	*6*	**2,594**	4,524
Gain on disposal of an available-for-sale investment		**–**	(37,473)
Impairment of an available-for-sale investment	*6*	**42,284**	–
Write-off of an available-for-sale investment	*6*	**7,800**	–
Gain on disposal of a subsidiary	*32*	**–**	(39,552)
Fair value gains on equity investments at fair value through profit or loss	*6*	**(34,391)**	(8,036)
Dividend income from listed investments	*6*	**(1,603)**	(1,383)
Interest income	*6*	**(3,236)**	(3,140)
		9,990	(29,265)
Decrease/(increase) in an amount due from a jointly-controlled entity		**517**	(3,660)
Decrease/(increase) in inventories		**(66,156)**	73,995
Decrease in trade receivables		**52,247**	44,239
Decrease/(increase) in prepayments, deposits and other receivables		**(2,306)**	2,881
Increase/(decrease) in trade payables and accrued expenses		**22,096**	(69,200)
Decrease in an other long term payable		**–**	(408)
Cash generated from operations		**16,388**	18,582
Hong Kong profits tax paid		**(4,080)**	(1,360)
Net cash inflow from operating activities – page 41		**12,308**	17,222

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash inflow from operating activities – page 40		**12,308**	17,222
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,236**	3,140
Purchases of items of property, plant and equipment	*14*	**(2,749)**	(27,434)
Proceeds from disposal of items of property, plant and equipment		**840**	1,000
Additions to other intangible assets	*15*	**(24)**	(183)
Net proceeds from disposal of an available-for-sale investment		**–**	44,890
Purchase of an available-for-sale investment		**–**	(7,800)
Purchases of equity investments at fair value through profit or loss		**(28,441)**	(40,534)
Disposal of subsidiaries	*32*	**(547)**	(4,144)
Net cash outflow from investing activities		**(27,685)**	(31,065)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(2,304)**	(2,304)
Increase in import and trust receipt loans		**20,814**	45,851
Capital element of finance lease rental payments		**(1,259)**	(1,938)
Capital contribution from minority interests		**–**	2,191
Interest paid		**(21,165)**	(17,535)
Interest element on finance lease rental payments		**(82)**	(121)
Dividends paid		**(8,102)**	(64,813)
Net cash outflow from financing activities		**(12,098)**	(38,669)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(27,475)**	(52,512)
Cash and cash equivalents at beginning of year		**164,869**	218,999
Effect of foreign exchange rate changes, net		**1,767**	(1,618)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**139,161**	164,869
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**107,582**	135,328
Non-pledge time deposits with original maturity of less than three months when acquired	*24*	**31,579**	29,541
		139,161	164,869

Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**377,692**	376,439
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	–	6,240
Equity investments at fair value through profit or loss	23	–	7,625
Cash and bank balances	24	**963**	1,327
Total current assets		**963**	15,192
CURRENT LIABILITIES			
Accrued expenses	25	**3,223**	862
Tax payable		**39,478**	39,779
Total current liabilities		**42,701**	40,641
NET CURRENT LIABILITIES		**(41,738)**	(25,449)
Net assets		**335,954**	350,990
EQUITY			
Issued capital	29	**40,508**	40,508
Reserves	31(b)	**295,446**	302,380
Proposed final dividend	12	–	8,102
Total equity		**335,954**	350,990

So Yuk Kwan
Director

Lee Jeong Kwan
Director

1. CORPORATE INFORMATION

AV Concept Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309 Ugland House, South Church Street, George Town, Grand Cayman, the Cayman Islands, British West Indies and its principal place of business is located at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Group was engaged in the following principal activities:

- Marketing and distribution of electronic components; and

- Design, manufacture and sale of electronic products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's share of the financial statements of its jointly-controlled entity for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The results of the jointly-controlled entity are proportionately consolidated. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

The principal changes in accounting policies are as follows:

(a) HKAS 39 *Financial Instruments: Recognition and Measurement*

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(b) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 *Leases*. However, the adoption of this interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 Revised	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from its major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HKAS 23 Revised, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in its jointly-controlled entity is accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entity's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

The result of jointly-controlled entity is included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in a jointly-controlled entity is treated as a non-current asset and is stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party to the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% – 3%
Leasehold improvements	20% – $33^1/_3$%
Furniture, fittings and office equipment	20% – $33^1/_3$%
Plant, machinery and tools	20% – 50%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Golf club membership

The Group's golf club membership is stated at cost less any impairment losses, on an individual basis.

Research and development costs and trademarks

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade payables and accrued expenses and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the 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 the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refundable to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of one of the Group's principal subsidiaries, namely AV Concept Singapore Pte. Ltd., which operates in Singapore, is required to participate in a pension scheme operated by the local municipal government. This subsidiary is required to contribute a fixed percentage of its payroll costs to the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections, including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present values used in impairment tests.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements *(continued)*

Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. 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 the other business segments. Summary details of the business segments are as follows:

(a) the marketing and distribution segment engages in the sale and distribution of electronic components; and

(b) the design and manufacture segment engages in the design, manufacture and sale of electronic products.

In determining the Group's geographical segments, revenues 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

Group

	Marketing and distribution		Design and manufacture		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**3,055,024**	2,178,874	**44,822**	273,356	**–**	–	**3,099,846**	2,452,230
Intersegment sales	**7,591**	34,694	**17,696**	138	**(25,287)**	(34,832)	**–**	–
Other income and gains	**208**	77	**5,816**	3,084	**–**	–	**6,024**	3,161
Total	**3,062,823**	2,213,645	**68,334**	276,578	**(25,287)**	(34,832)	**3,105,870**	2,455,391
Segment results	**40,311**	42,826	**(51,914)**	(85,188)	**–**	–	**(11,603)**	(42,362)
Interest income							**3,236**	3,140
Dividend income from listed investments							**1,603**	1,383
Gain on disposal of a subsidiary	**–**	–	**–**	39,552	**–**	–	**–**	39,552
Gain on disposal of an available-for-sale investment							**–**	37,473
Write-off of an available-for-sale investment							**(7,800)**	–
Impairment of an available-for-sale investment							**(42,284)**	–
Fair value gains on equity investments at fair value through profit or loss							**34,391**	8,036
Loss on disposal of items of property, plant and equipment							**(2,594)**	(4,524)
Reversal of impairment of items of property, plant and equipment							**1,278**	–
Impairment of other intangible assets							**(432)**	(261)
Unallocated expenses							**(16,707)**	(7,131)
Finance costs							**(21,247)**	(19,075)
Profit/(loss) before tax							**(62,159)**	16,231
Tax							**(7,722)**	(7,891)
Profit/(loss) for the year							**(69,881)**	8,340

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Marketing and distribution		Design and manufacture		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**600,513**	522,371	**29,388**	98,114	**629,901**	620,485
Unallocated assets					**309,810**	348,975
Total assets					**939,711**	969,460
Segment liabilities	**119,339**	93,435	**9,833**	22,168	**129,172**	115,603
Unallocated liabilities					**465,111**	436,741
Total liabilities					**594,283**	552,344
Other segment information:						
Depreciation	**2,083**	1,726	**6,179**	11,386	**8,262**	13,112
Unallocated depreciation					**2,534**	2,156
					10,796	15,268
Amortisation of other intangible assets	**–**	–	**5**	852	**5**	852
Unallocated amortisation of other intangible assets					**48**	–
					53	852
Other non-cash expenses	**–**	–	**–**	938	**–**	938
Unallocated non-cash expenses					**432**	261
					432	1,199
Impairment of trade receivables	**–**	530	**1,071**	2,640	**1,071**	3,170
Capital expenditure	**2,180**	996	**502**	10,201	**2,682**	11,197
Unallocated capital expenditure					**67**	18,124
					2,749	29,321

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Group

	Hong Kong		Mainland China		Singapore		Korea		Other locations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**1,935,240**	1,726,340	**–**	3,649	**1,122,617**	516,071	**15,992**	57,827	**25,997**	148,343	**3,099,846**	2,452,230
Other segment information:												
Segment assets	**769,482**	806,683	**20,601**	56,831	**149,628**	89,414	**–**	–	**–**	16,532	**939,711**	969,460
Capital expenditure	**1,779**	24,731	**–**	3,166	**970**	333	**–**	–	**–**	1,091	**2,749**	29,321

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Marketing and distribution of electronic components	**3,055,024**	2,178,874
Design, manufacture and sale of electronic products	**44,822**	273,356
	3,099,846	2,452,230
Other income and gains		
Bank interest income	**3,236**	3,140
Dividend income from listed investments	**1,603**	1,383
Fair value gains, net:		
Equity investments at fair value through profit or loss	**34,391**	8,036
Reversal of impairment of items of property, plant and equipment	**1,278**	–
Others	**5,422**	3,217
	45,930	15,776
	3,145,776	2,468,006

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2007 HK$'000	2006 HK$'000
Cost of inventories sold		**2,989,516**	2,259,086
Depreciation	14	**10,796**	15,268
Amortisation of other intangible assets*	15	**53**	852
Impairment of other intangible assets**	15	**432**	261
Write-off of other intangible assets*	15	**–**	938
Impairment of trade receivables**		**1,071**	3,170
Impairment of slow moving inventories		**6,109**	–
Write-off of slow moving inventories		**20,271**	–
Minimum lease payments under operating leases in respect of land and buildings		**3,293**	5,178
Auditors' remuneration		**1,426**	1,630
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		**61,262**	75,572
Pension scheme contributions		**1,273**	2,020
		62,535	77,592
Loss on disposal of items of property, plant and equipment**		**2,594**	4,524
Foreign exchange differences, net**		**2,869**	4,612
Fair value gains on equity investments at fair value through profit or loss		**(34,391)**	(8,036)
Dividend income from listed investments		**(1,603)**	(1,383)
Reversal of impairment of items of property, plant and equipment	14	**(1,278)**	–
Impairment of an available-for-sale investment**		**42,284**	–
Write-off of an available-for-sale investment**		**7,800**	–
Interest income		**(3,236)**	(3,140)

* The amortisation and write-off of other intangible assets are included in "Cost of sales" on the face of the consolidated income statement.

** These items are included in "Other expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**20,413**	18,276
Interest on a mortgage loan	**752**	678
Interest on finance leases	**82**	121
	21,247	19,075

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**230**	230
Other emoluments:		
Salaries, housing and other allowances, and benefits in kind	**11,772**	12,044
Pension scheme contributions	**352**	370
	12,124	12,414
	12,354	12,644

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Mr. Lui Ming Wah	**100**	100
Mr. Charles Edward Chapman	**80**	80
Mr. Wong Ka Kit	**50**	50
	230	230

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Salaries, housing and other allowances, and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2007			
Executive directors:			
Mr. So Yuk Kwan	6,492	273	6,765
Mr. Lee Jeong Kwan	3,220	–	3,220
Mr. So Chi On	2,060	79	2,139
	11,772	352	12,124
2006			
Executive directors:			
Mr. So Yuk Kwan	5,384	221	5,605
Mr. Lee Jeong Kwan	3,200	–	3,200
Mr. So Chi On	1,920	72	1,992
Mr. Lai Yat Hung, Edmund	1,540	77	1,617
	12,044	370	12,414

Except for the share options granted to directors which were cancelled as agreed between the Company and the participants, there was no other arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: one) non-directors, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,781**	1,326

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	2	1

During the year, no share options were granted to the non-directors, highest paid employees in respect of their services to the Group.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates ranging from 11% to 33% (2006: 11% to 33%) in the locations in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**7,722**	4,548
Overprovision in prior years	**–**	(296)
Current – Elsewhere		
Charge for the year[#]	**–**	4,978
Deferred *(note 28)*	**–**	(1,339)
Total tax charge for the year	**7,722**	7,891

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before tax	**(62,159)**	16,231
Tax at the applicable rates to profits/(losses) in the locations concerned[#]	**(10,878)**	8,028
Adjustment in respect of current tax of previous periods	**–**	(296)
Income not subject to tax	**(1,198)**	(14,285)
Expenses not deductible for tax	**14,586**	13,741
Tax losses not recognised	**5,178**	1,723
Tax losses utilised from previous periods	**–**	(1,020)
Others	**34**	–
Tax charge at the Group's effective rate of 12.4% (2006: 48.6%)	**7,722**	7,891

[#] In the prior year, the amounts included capital gains tax arising from the disposal of an available-for-sale investment in Korea.

In the prior year, included in the total tax charge above was an amount of HK$561,000 related to the Group's share of tax attributable to a jointly-controlled entity *(note 19)*.

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders of the Company for the year ended 31 March 2007 includes a loss of HK$6,934,000 (2006: profit of HK$28,654,000) which has been dealt with in the financial statements of the Company *(note 31(b))*.

12. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final – Nil (2006: 2 HK cents) per ordinary share	–	8,102

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$69,881,000 (2006: profit for the year attributable to ordinary equity holders of the Company of HK$10,531,000) and the 405,082,419 (2006: 405,082,419) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed, as the share options outstanding during both years have an anti-dilutive effect on the basic earnings/(loss) per share for these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings (Hong Kong)#	Land and buildings (Outside Hong Kong)#	Leasehold improvements	Furniture, fittings and office equipment	Plant, machinery and tools	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2007							
At 31 March 2006 and at 1 April 2006:							
Cost	43,057	24,397	14,681	9,485	47,175	8,685	147,480
Accumulated depreciation and impairment	(1,404)	(3,800)	(9,381)	(6,447)	(26,796)	(5,628)	(53,456)
Net carrying amount	41,653	20,597	5,300	3,038	20,379	3,057	94,024
At 1 April 2006, net of accumulated depreciation and impairment	41,653	20,597	5,300	3,038	20,379	3,057	94,024
Additions	–	–	92	620	347	1,690	2,749
Disposals	–	–	(147)	(374)	(2,371)	(542)	(3,434)
Reversal of impairment	–	1,278	–	–	–	–	1,278
Depreciation provided during the year	(997)	(446)	(1,449)	(1,099)	(5,408)	(1,397)	(10,796)
Exchange realignment	–	665	–	33	–	198	896
At 31 March 2007, net of accumulated depreciation and impairment	40,656	22,094	3,796	2,218	12,947	3,006	84,717
At 31 March 2007:							
Cost	43,057	26,638	14,505	8,572	40,671	9,646	143,089
Accumulated depreciation and impairment	(2,401)	(4,544)	(10,709)	(6,354)	(27,724)	(6,640)	(58,372)
Net carrying amount	40,656	22,094	3,796	2,218	12,947	3,006	84,717

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Leasehold land and buildings (Hong Kong)#	Land and buildings (Outside Hong Kong)#	Leasehold improvements	Furniture, fittings and office equipment	Plant, machinery and tools	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2006							
At 1 April 2005:							
Cost	43,517	9,435	22,157	15,269	82,103	8,901	181,382
Accumulated depreciation and impairment	(513)	(3,765)	(15,005)	(10,552)	(42,140)	(5,002)	(76,977)
Net carrying amount	43,004	5,670	7,152	4,717	39,963	3,899	104,405
At 1 April 2005, net of accumulated depreciation and impairment	43,004	5,670	7,152	4,717	39,963	3,899	104,405
Additions	–	15,256	1,581	970	10,915	599	29,321
Disposals	(354)	–	(473)	(618)	(4,027)	(52)	(5,524)
Disposal of a subsidiary *(note 32)*	–	–	(844)	(898)	(16,891)	(40)	(18,673)
Depreciation provided during the year	(997)	(164)	(2,116)	(1,121)	(9,581)	(1,289)	(15,268)
Exchange realignment	–	(165)	–	(12)	–	(60)	(237)
At 31 March 2006, net of accumulated depreciation and impairment	41,653	20,597	5,300	3,038	20,379	3,057	94,024
At 31 March 2006:							
Cost	43,057	24,397	14,681	9,485	47,175	8,685	147,480
Accumulated depreciation and impairment	(1,404)	(3,800)	(9,381)	(6,447)	(26,796)	(5,628)	(53,456)
Net carrying amount	41,653	20,597	5,300	3,038	20,379	3,057	94,024

As the land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 March 2007, the Group's land and buildings at cost included above are held under the following lease terms:

	Hong Kong	Outside Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*
Freehold	–	9,980	9,980
Medium term leases	43,057	16,658	59,715
	43,057	26,638	69,695

Certain land and buildings with a carrying value of HK$36,160,000 (2006: HK$37,046,000) held by the Group were pledged to a bank to secure a mortgage loan granted to the Group (note 26).

The net carrying amount of the Group's property, plant and equipment held under finance leases as at 31 March 2007 included motor vehicles of HK$858,000 (2006: HK$1,344,000) and plant, machinery and tools of HK$3,301,000 (2006: HK$9,177,000).

15. OTHER INTANGIBLE ASSETS

Group

	Golf club membership	Trademarks	Deferred development costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2007				
At 31 March 2006 and at 1 April 2006:				
Cost	2,044	35	–	2,079
Accumulated amortisation and impairment	(261)	(1)	–	(262)
Net carrying amount	1,783	34	–	1,817
At 1 April 2006, net of accumulated amortisation and impairment	1,783	34	–	1,817
Additions	–	24	–	24
Amortisation provided during the year	(48)	(5)	–	(53)
Impairment during the year	(432)	–	–	(432)
Exchange realignment	75	–	–	75
At 31 March 2007, net of accumulated amortisation and impairment	1,378	53	–	1,431
At 31 March 2007:				
Cost	2,151	59	–	2,210
Accumulated amortisation and impairment	(773)	(6)	–	(779)
Net carrying amount	1,378	53	–	1,431

15. OTHER INTANGIBLE ASSETS *(continued)*

Group

	Golf club membership *HK$'000*	Trademarks *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
31 March 2006				
At 1 April 2005:				
Cost	2,070	732	4,604	7,406
Accumulated amortisation and impairment	–	(154)	(3,541)	(3,695)
Net carrying amount	2,070	578	1,063	3,711
Cost at 1 April 2005, net of accumulated amortisation and impairment	2,070	578	1,063	3,711
Additions	–	183	–	183
Amortisation provided during the year	–	(169)	(683)	(852)
Impairment during the year	(261)	–	–	(261)
Write-off	–	(558)	(380)	(938)
Exchange realignment	(26)	–	–	(26)
At 31 March 2006, net of accumulated amortisation and impairment	1,783	34	–	1,817
At 31 March 2006 and at 1 April 2006				
Cost	2,044	35	–	2,079
Accumulated amortisation and impairment	(261)	(1)	–	(262)
Net carrying amount	1,783	34	–	1,817

16. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**55,016**	55,016
Due from subsidiaries	**351,789**	356,534
Due to subsidiaries	**(1)**	(15,676)
	406,804	395,874
Impairment	**(29,112)**	(19,435)
	377,692	376,439

The amounts due from and to subsidiaries included in the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from and to subsidiaries approximate their fair values.

Particulars of the principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary share/ registered and paid-up capital**	**Percentage of equity attributable to the Company Direct**	**Percentage of equity attributable to the Company Indirect**	**Principal activities**
AV Electronics Group Limited	British Virgin Islands/ Hong Kong	US$40,000	100	–	Investment holding
AV Concept (China) Industrial Co., Limited ("AVCC") *(Note (a))*	Hong Kong	HK$10,000	–	100	Investment holding
AV Concept Limited	Hong Kong	HK$2 HK$1,000,000@	– –	100 100	Trading of electronic components

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AVC Technology Limited ("AVCT") *(Note (b))*	Hong Kong	HK$9,900,000 HK$100,000@	– –	100 100	Trading of electronic products
AV Concept Singapore Pte. Ltd.	Singapore	S$4,000,000	–	100	Trading of electronic components
AVC Technology (International) Limited (Formerly known as AVC Manufacturing Services Limited)	Hong Kong	HK$1	–	100	Procurement of electronic components
New Concept Capital Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
SIGN Limited	Hong Kong	HK$1	–	100	Brand holding
AVC Medical Technology Limited	Hong Kong	HK$1	100	–	Trading of medical products

@ Represents deferred shares issued by AV Concept Limited and AVC Technology Limited

16. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(a) On 25 April 2005, AVCC entered into a conditional agreement (as amended by a supplemental agreement dated 28 April 2005) (the "Agreement") with BreconRidge Manufacturing Solutions Corporation ("BreconRidge"), an independent third party entity incorporated in Canada principally engaged in the provision of electronic manufacturing services for multinational customers, to dispose of its entire equity interest in AV Chaseway Limited ("AV Chaseway"), a then wholly-owned subsidiary of the Group, in consideration for certain interests in the common shares of BreconRidge (the "Disposal"), subject to the terms and conditions as contemplated under the Agreement. Pursuant to the Agreement, the total consideration for the Disposal should not be less than US$20 million either in the form of cash and/or securities to be received from BreconRidge.

The Disposal constituted a major transaction of the Company pursuant to the Listing Rules and was approved by the Company's shareholders at an extraordinary general meeting held on 29 July 2005. Further details in relation to the Disposal are set out in the Company's circular dated 15 July 2005 (the "Circular").

The Disposal was divided into two tranches. On 1 August 2005, AVCC completed the disposal of a 50% equity interest in AV Chaseway (the "First Tranche Shares") to BreconRidge in consideration for a warrant issued by BreconRidge (the "Warrant"), which entitles AVCC to subscribe for 7.5 million common shares in BreconRidge (the "Initial Closing"). The completion of the disposal of the First Tranche Shares resulted in a gain on disposal of HK$39,552,000 which represented the difference between the value of the Warrant of HK$60,684,000 and the attributable net asset value of AV Chaseway of HK$19,000,000 as at 31 July 2005, less the direct costs of HK$2,132,000 attributable to the Disposal. The value of the Warrant was determined by the Company's directors based on the net present value of the cash consideration to be received by AVCC at the Initial Closing. Further details of the disposal of the First Tranche Shares in AV Chaseway are set out in note 32 to the financial statements.

Upon the completion of the Initial Closing, AV Chaseway was held as to 50% by AVCC and as to 50% by BreconRidge and ceased to be a subsidiary of the Group. AV Chaseway was then renamed as AV BreconRidge Limited ("AV BreconRidge") and became the Group's jointly-controlled entity. AV BreconRidge was then jointly managed and operated by both AVCC and BreconRidge pursuant to a shareholders' agreement dated 1 August 2005 entered into between AVCC and BreconRidge. The Group then used the proportionate consolidation method to account for the Group's share of assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Further details of AV BreconRidge and the terms for the disposal of the remaining 50% equity interest in AV BreconRidge are set out in note 19 to the financial statements.

(b) On 31 May 2007, the Company disposed of its entire equity interest in AVCT, further details of which are set out in note 40 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	Group 2006 HK$'000
Unlisted shares, at cost	–	–
Share of net assets	**386**	386
Goodwill on acquisition	**958**	958
	1,344	1,344
Provision for impairment	**(1,344)**	(1,344)
	–	–

Particulars of the associates are as follows:

Name	Particulars of issued shares/ registered capital held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group 2007	2006	Principal activities
Easyband Broadband Holdings Limited*	1,246 ordinary shares of US$1 each	British Virgin Islands	**36**	36	Investment holding
Easyband Technology (Guangzhou) Co., Limited*	Registered capital HK$1,000,000	People's Republic of China	**36**	36	Trading of hardware and software products and the provision of broadband and related technical support services
Guangzhou Thinker E-Commerce Co., Ltd.*	Registered capital HK$9,000,000	People's Republic of China	**35**	35	Provision of systems integration and e-commerce related services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	**60,684**	70,434
Provision for impairment	**(42,284)**	(1,950)
	18,400	68,484

The above investments consist of investments in unlisted equity securities which were designated as available-for-sale investments.

The balance as at 31 March 2007 included the Warrant of HK$18,400,000 (2006: HK$60,684,000).

In the prior year, the balance included an unlisted equity investment in the Republic of Korea of HK$7,800,000 which was engaged in the manufacture and sale of organic light-emitting diodes. During the year, the directors of the Company reviewed the carrying amount of the unlisted equity investment in the Republic of Korea with reference to their business performance of the unlisted equity investment. The unlisted equity investment of HK$7,800,000 has been written off to the consolidated income statement during the year.

18. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Warrant

As further detailed in notes 16 and 19 to the financial statements, the Warrant was issued by BreconRidge as consideration for the disposal of the First Tranche Shares by AVCC during the year. The Warrant entitles the Group to subscribe for approximately 7.5 million common shares in BreconRidge ("BreconRidge Shares"). If any of the Liquidity Events (as mentioned in note 19 to the financial statements) occurs and AVCC and BreconRidge proceed to the completion of the disposal of the Second Tranche Shares, the Warrant shall be exercisable by AVCC. However, the cash consideration or the number of BreconRidge Shares that will be received by AVCC from the sale of its equity interest in AV Chaseway may vary depending on the event triggering the Final Closing as well as the timing of such event. Further details of the terms for the Warrant are set out in the Circular.

As at 31 March 2007, the Warrant was measured at cost less impairment losses because the range of reasonable fair value estimates is so significant and the directors of the Company are of opinion that their fair values cannot be measured reliably.

During the year, the directors of the Company reviewed the carrying amount of the Warrant with reference to the alternatives for AVCC and BreconRidge to exit the Disposal. The carrying amount of the Warrant has been estimated by future cash flows discounted to the present value. An impairment loss of HK$42,284,000 has been charged to the consolidated income statement during the year.

19. DUE FROM A JOINTLY-CONTROLLED ENTITY

	Group	
	2007	2006
	HK$'000	*HK$'000*
Due from a jointly-controlled entity	**3,143**	3,660

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due from the jointly-controlled entity approximates to its fair value.

Particulars of the jointly-controlled entity are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of incorporation**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
AV BreconRidge Limited – *Note*	HK$5,000,000	Hong Kong	50	50	50	Manufacture and trading of electronic products

The above investment in the jointly-controlled entity is indirectly held by the Company.

Note:

As stated in the Agreement (as defined in note 16 to the financial statements), AVCC will dispose of the remaining 50% equity interest in AV BreconRidge (the "Second Tranche Shares") to BreconRidge two years after the Initial Closing dependent upon the occurrence of the liquidity events (the "Final Closing").

The Final Closing is conditional upon (i) the listing of BreconRidge or the listing of any entity that has acquired the businesses or assets of BreconRidge on one or more of The Toronto Stock Exchange, the New York Stock Exchange, the NASDAQ National Market system, the AMEX Exchange, the AIM Exchange or The Stock Exchange of Hong Kong Limited; or (ii) the sale of all the shares of BreconRidge, or the sale of all or substantially all of the assets of BreconRidge, or any other transaction, that will result in AVCC being entitled to receive cash or tradable shares. Items (i) and (ii) are collectively known as the "Liquidity Events".

19. DUE FROM A JOINTLY-CONTROLLED ENTITY *(continued)*

Note: (continued)

As further stated in the Agreement, there are a number of alternatives for AVCC and BreconRidge to exit the Disposal in the event that no Liquidity Event occurs within three years from the Initial Closing. Pursuant to the Agreement, (i) AVCC can get back the 50% equity interest from BreconRidge and the Warrant will be cancelled. Under such circumstance, BreconRidge shall pay AVCC an additional amount of US$3 million in cash as the consideration for taking part in the operation of AV Chaseway during the period from the Initial Closing to the exit date; (ii) AVCC and BreconRidge may elect to maintain the joint venture relationship by terminating the Warrant and BreconRidge has to pay US$11 million (or US$9 million if the extension fee of US$2 million has been paid) to AVCC as the consideration for acquiring the First Tranche Shares; or (iii) BreconRidge can acquire the remaining 50% equity interest from AVCC by paying cash in the aggregate amount of US$22 million (or US$20 million of the extension fee of US$2 million has been paid). Under such circumstances, AVCC would not hold any shares in BreconRidge. Further details of the terms of the Warrant are set out in the Circular.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

Share of the jointly-controlled entity's assets and liabilities:

	2007	2006
	HK$'000	*HK$'000*
Non-current assets	**13,996**	17,953
Current assets	**1,831**	6,413
Current liabilities	**(8,503)**	(7,756)
Non-current liabilities	**(624)**	(559)
Net assets	**6,700**	16,051

Share of the jointly-controlled entity's results:

	2007	2006
	HK$'000	*HK$'000*
Revenue	**13,917**	14,951
Other revenue	**169**	151
Total revenue	**14,086**	15,102
Total expenses	**(23,437)**	(18,613)
Tax	**–**	561
Loss after tax	**(9,351)**	(2,950)

20. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**1,561**	21,920
Work in progress	**–**	4,108
Finished goods	**235,394**	174,333
	236,955	200,361

21. TRADE RECEIVABLES

Trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Group has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 31 March 2007, based on invoice due date and stated net of impairment of trade receivables, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**152,928**	158,078
1 – 30 days	**33,907**	63,512
31 – 60 days	**24,085**	18,694
Over 60 days	**11,072**	29,032
	221,992	269,316

21. TRADE RECEIVABLES *(continued)*

In the prior year, included in the Group's trade receivables is an amount due from the Group's related company of HK$985,000, which was repayable on similar credit terms to those offered to the major customers of the Group. The related company is owned as to 25% by an executive director of the Company. Such amount also represented the maximum outstanding amount in last year. The carrying amounts of the Group's trade receivables approximate to their fair values.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**5,570**	1,080	**–**	–
Deposits and other receivables	**27,216**	27,281	**–**	6,240
	32,786	28,361	**–**	6,240

The carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Managed funds, outside Hong Kong,				
at market value	**129,697**	99,260	**–**	–
Listed equity investments,				
at market value:				
Hong Kong	**47,741**	29,384	**–**	–
Elsewhere	**23,688**	9,650	**–**	7,625
	201,126	138,294	**–**	7,625

The above equity investments at 31 March 2006 and 2007 were classified as held for trading.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**107,582**	135,328	**963**	1,327
Time deposits	**31,579**	29,541	**–**	–
Cash and cash equivalents	**139,161**	164,869	**963**	1,327

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,149,183 (2006: HK$1,808,089). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

25. TRADE PAYABLES AND ACCRUED EXPENSES

An aged analysis of the trade payables and accrued expenses as at the balance sheet date, based on invoice due date, is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables:				
Current	**77,223**	47,159	**–**	–
1 – 30 days	**32,781**	37,947	**–**	–
31 – 60 days	**312**	346	**–**	–
Over 60 days	**228**	2,350	**–**	–
	110,544	87,802	**–**	–
Accrued expenses	**22,909**	27,693	**3,223**	862
	133,453	115,495	**3,223**	862

The trade payables are non-interest-bearing and are normally settled between 30 and 90 days. The carrying amounts of trade payables approximate to their fair values.

26. INTEREST-BEARING BANK BORROWINGS

Group

	2007			2006		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Mortgage loans – secured	**5.13**	**2008**	**2,304**	5.00	2007	2,304
Import and trust receipt loans – unsecured	**5.00 – 6.55**	**2008**	**331,857**	4.80 – 6.00	2007	281,141
Import and trust receipt loans – secured	**5.00**	**2008**	**68,729**	4.80	2007	95,436
			402,890			378,881
Non-current						
Mortgage loans – secured	**5.13**	**2013**	**9,618**	5.00	2013	11,922
			412,508			390,803

	Group	
	2007	2006
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**402,890**	378,881
In the second year	**2,304**	2,304
In the third to fifth years, inclusive	**6,912**	6,912
Beyond five years	**402**	2,706
	412,508	390,803

Notes:

(a) The mortgage loan is secured by fixed charges over certain of the Group's leasehold land and buildings, with a net carrying amount at the balance sheet date of approximately HK$36,160,000 (2006: HK$37,046,000) (note 14).

(b) At the balance sheet date, all the Group's bank borrowings bear interest at floating rates. The carrying amounts of the Group's floating rate borrowings approximate to their fair values.

(c) As the balance sheet date, all bank borrowings were in Hong Kong dollars.

27. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, and plant, machinery and tools for the Group's marketing and distribution, and design and manufacturing businesses. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

At 31 March 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2007	Minimum lease payments 2006	**Present value of minimum lease payments 2007**	Present value of minimum lease payments 2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**991**	1,364	**888**	1,215
In the second year	**1,041**	1,003	**962**	894
In the third to fifth years, inclusive	**491**	1,388	**423**	1,256
Total minimum finance lease payments	**2,523**	3,755	**2,273**	3,365
Future finance charges	**(250)**	(390)		
Total net finance lease payables	**2,273**	3,365		
Portion classified as current liabilities	**(888)**	(1,215)		
Non-current portion	**1,385**	2,150		

As at 31 March 2007, the effective interest rates of the finance lease payables range from 4.3% to 6.4% (2006: range from 4.3% to 6.4%) per annum. The carrying amounts of the Group's finance lease payables approximate to their fair values.

28. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities, which comprised depreciation allowance in excess of related depreciation, during the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**1,560**	4,084
Disposal of a subsidiary *(note 32)*	–	(1,185)
Deferred tax credited to the income statement during the year *(note 10)*	–	(1,339)
At end of year	**1,560**	1,560

The Group has tax losses arising in Hong Kong of HK$43,124,000 (2006: HK$13,535,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. SHARE CAPITAL

Shares

	Company	
	2007	2006
	HK$'000	*HK$'000*
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
405,082,419 ordinary shares of HK$0.10 each	**40,508**	40,508

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

On 13 May 2002, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to the executive directors of the Company and employees of the Group to subscribe for ordinary shares in the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including the independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 13 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than the expiry date of the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 April 2006	Cancelled during the year	Lapsed during the year	At 31 March 2007	Date of grant of share options *(Note 1)*	Exercise period of share options (both dates inclusive)	Exercise price of share options *(Note 2)* *HK$*	Company's share price at grant date of share options *(Note 3)* *HK$*
Directors								
Lee Jeong Kwan	2,000,000	(2,000,000)*	–	–	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
So Chi On	400,000	(400,000)*	–	–	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Sub-total	2,400,000	(2,400,000)	–	–				
Other employees								
In aggregate	6,300,000	(5,700,000)*	(600,000)	–	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Total	8,700,000	(8,100,000)	(600,000)	–				

No share options were granted or exercised during the year.

* The share options were cancelled as agreed between the Company and the participants.

30. SHARE OPTION SCHEME *(continued)*

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

3. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

At the balance sheet date, the Company had no share options outstanding under the Scheme.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 38 and 39 of the financial statements.

31. RESERVES *(continued)*

(b) Company

	Notes	Share premium account *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2005		156,300	60,929	12,491	113,037	342,757
Changes in fair value of an available-for-sale investment		–	(23,456)	–	–	(23,456)
Released upon disposal of an available-for-sale investment		–	(37,473)	–	–	(37,473)
Profit for the year	*11*	–	–	–	28,654	28,654
Proposed final 2006 dividend	*12*	–	–	–	(8,102)	(8,102)
At 31 March 2006 and 1 April 2006		156,300	–	12,491	133,589	302,380
Loss for the year	*11*	–	–	–	(6,934)	(6,934)
At 31 March 2007		156,300	–	12,491	126,655	295,446

In accordance with the Companies Law (2004 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

32. DISPOSAL OF SUBSIDIARIES

On 30 September 2006, AVCT disposed of its 80% equity interest in AVC Technology Japan, Ltd. ("AVCJ") to an independent third party at a total consideration of JPY1,000,000 (equivalent to approximately HK$66,000). The consideration for the disposal of AVCJ was determined with reference to the financial position of AVCJ as at 30 September 2006.

In the prior year, AVCC disposed of a 50% equity interest in AV Chaseway in consideration for certain interests in the common shares of BreconRidge. Further details of the Disposal are set out in notes 16 and 19 to the financial statements.

	Notes	**2007**	2006
		HK$'000	*HK$'000*
Net assets disposed of:			
Property, plant and equipment	*14*	–	18,673
Inventories		**6,013**	–
Prepayments, deposits and other receivables		–	787
Cash and bank balances		**613**	4,144
Accrued expenses		**(6,560)**	(2,086)
Tax payable		–	(368)
Finance lease payables		–	(965)
Deferred tax liabilities	*28*	–	(1,185)
		66	19,000
Gain on disposal of a subsidiary	*16*	–	39,552
Costs attributable to the Disposal		–	2,132
		–	60,684
Satisfied by:			
Cash		**66**	–
Warrant	*19*	–	60,684

32. DISPOSAL OF SUBSIDIARIES *(continued)*

An analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007	2006
	HK'000	*HK$'000*
Cash consideration	**66**	–
Cash and bank balances disposed of	**(613)**	(4,144)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(547)**	(4,144)

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) In the prior year, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a total capital value at the inception of the leases of HK$1,887,000.

(b) In the current year, the disposal of an 80% equity interest in AVCJ did not result in any further cash flow to the Group other than a net outflow of cash and cash equivalents in respect of the disposal of subsidiaries of HK$547,000. In the prior year, the disposal of a 50% equity interest in AV Chaseway did not result in any further cash flow to the Group other than the cash and bank balances of HK$4,144,000 being disposed of.

34. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of facilities granted to subsidiaries	**–**	–	**1,113,468**	995,287

As at 31 March 2007, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$412,508,000 (2006: HK$470,866,000).

35. LITIGATION

On 31 October 2005, a writ of summons was filed by a former customer (the "Plaintiff") against AVCT in respect of a dispute on goods sold and delivered, and the distribution agreement entered into between the Plaintiff and AVCT. The total claim filed against AVCT was approximately HK$31.3 million.

AVCT has sought legal advice from the Company's legal counsel on the claim. On 18 November 2005, AVCT repaid a total amount of approximately HK$3.2 million to the Plaintiff which represented the outstanding amount due by AVCT in respect of certain returned goods collected from the Plaintiff. The total claim against AVCT remaining unsettled as at 31 March 2007 amounted to approximately HK$28.1 million.

Based on the advice of the Company's legal counsel, the Company's directors are of opinion that AVCT has an arguable defense against the claim from the Plaintiff. The Company's directors therefore are of the opinion that the claim is unlikely to succeed. As a result, they consider that the claim will not cause any significant impact on the operations and financial position on the Group as a whole. Accordingly, no provision has been made in the Group's financial statements as at 31 March 2007.

On 31 May 2007, the Company dispose of its entire equity interest in AVCT, further details of which are set out in note 40 to the financial statements. Based on the advice of the Company's legal counsel, upon the completion of the sale of AVCT to the independent third party, AVCT will no longer be a member of the Group and the assets and liabilities of AVCT, including any contingent liabilities such as legal actions, will no longer have any relevance to the consolidated financial statements of the Company.

36. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory buildings and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,979**	2,959
In the second to fifth years, inclusive	**2,729**	4,939
	5,708	7,898

At 31 March 2007, the Company had no operating lease arrangements (2006: Nil).

37. COMMITMENTS

At 31 March 2007, the Group had no significant commitments.

In the prior year, the Group had capital commitments on the acquisition of items of property, plant and equipment, contracted for of HK$1,553,000.

At 31 March 2007, the Company had no significant commitments (2006: Nil).

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	**2007**	2006
		HK$'000	*HK$'000*
Jointly-controlled entity:*			
Sales of products	*(i)*	**539**	103
Purchases of products	*(ii)*	**754**	5,142
Management fee income	*(iii)*	**460**	687
Related company:			
Sales of products	*(iv)*	**444**	985

* The Group has proportionately consolidated 50% of the transactions with its jointly-controlled entity in its consolidated income statement.

Notes:

(i) The sales of products to the jointly-controlled entity were made according to the published prices and conditions offered to the major customers of the Group, except that no fixed credit period was granted to the jointly-controlled entity.

(ii) The purchases of products from the jointly-controlled entity were made according to the published prices and conditions offered by the jointly-controlled entity to its major customers, except that no fixed credit period was granted.

(iii) The management fee income was charged at HK$80,000 per month from April 2006 and May 2006 and HK$30,000 per month from June 2006 to March 2007. In the prior year, the management fee income was charged at HK$80,000 per month.

(iv) The above related company is owned as to 25% by an executive director of the Company. The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

38. RELATED PARTY TRANSACTIONS *(continued)*

(b) Included in the prepayments, deposits and other receivables was an amount of HK$814,000 related to the balance due from a related company.

(c) Included in the trade payables and accrued expenses was an amount of HK$1,323,000 related to a balance due to a jointly-controlled entity.

(d) In the prior year, amount of HK$2,837,000 included in the trade receivables was related to a balance due from a jointly-controlled entity.

(e) Compensation of key management personnel of the Group

The Group's key management personnel are the executive directors of the Company, further details of their compensation are included in note 8(b) to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, finance lease payables, cash and bank balances, and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into equity investments at fair value through profit or loss.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

Foreign currency risk

The Group's foreign currency exposures are minimal in view of the natural hedge between costs and revenues which are both denominated primarily in United States dollars. The Group does not have any significant exchange rate exposures to Hong Kong dollars, Renminbi, Singapore dollars, Japanese yen and European Euro.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from the Group's credit committee.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, other interest-bearing loans and finance leases. The Group's accounting department monitors the Group's cash flow positions on a regular basis to ensure that the cash flows of the Group are always positive.

40. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in AVCT at a total consideration of HK$1,000. The consideration for the disposal was determined with reference to the financial position of AVCT as at 31 May 2007. The disposal was completed on 1 June 2007.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 July 2007.