2009 Annual Report

AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 595

CONTENTS

Financial Highlights

	2009	2008	2007	2006	2005
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Revenue					
– Marketing and distribution	**1,958.4**	2,845.1	3,055.0	2,178.9	1,878.2
– Design and development	**54.9**	63.5	30.9	177.1	301.1
– Jointly-controlled entity	**–**	15.4	13.9	96.2	108.0
	2,013.3	2,924.0	3,099.8	2,452.2	2,287.3
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items					
– Corporate	**(71.6)**	(2.6)	24.8	4.2	0.9
– Marketing and distribution	**26.0**	27.0	47.1	47.4	37.5
– Design and development	**(1.0)**	1.5	(16.6)	(51.3)	15.4
– Jointly-controlled entity	**–**	(2.7)	(4.4)	(3.6)	31.8
– Gain on disposal of an available-for-sale investment	**–**	–	–	37.5	197.7
	(46.6)	23.2	50.9	34.2	283.3
Depreciation, amortisation and non-cash items	**(4.9)**	4.3	(91.9)	1.0	(29.5)
Profit/(loss) for the year					
– Equity holders of the Company	**(66.3)**	4.3	(69.9)	10.5	210.1
– Minority interests	**–**	–	–	(2.2)	–
	(66.3)	4.3	(69.9)	8.3	210.1
Dividends					
– Interim	**–**	8.6	–	–	11.3
– Proposed final	**–**	4.2	–	8.1	64.8
	–	12.8	–	8.1	76.1
Earnings/(loss) per share (HK cents)	**(16.0)**	1.0	(17.3)	2.6	51.9
Dividends per share (HK cents)					
– Interim	**–**	2.0	–	–	2.8
– Proposed final	**–**	1.0	–	2.0	16.0
	–	3.0	–	2.0	18.8

Financial Highlights

	2009	2008	2007	2006	2005
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Total assets	**765.2**	971.8	939.7	969.5	1,050.9
Total assets less current liabilities	**282.0**	360.1	358.0	432.7	494.7
Total equity	**276.7**	352.1	345.4	417.1	473.9
Bank debts	**309.3**	437.0	414.8	394.2	353.5
Cash and cash equivalents	**146.3**	121.4	139.2	164.9	219.0
Equity investments at fair value through profit or loss	**72.4**	174.4	201.1	138.3	89.7
Cash and cash equivalents and equity investments	**218.7**	295.8	340.3	303.2	308.7
Net debt	**90.6**	141.2	74.5	91.0	44.8
Net debt to total equity (%)	**33%**	40%	22%	22%	9%
Current assets to current liabilities (%)	**130%**	136%	144%	150%	168%
Cash and cash equivalents and equity investments per share (HK$)	**0.53**	0.71	0.84	0.75	0.76
Total equity per share (HK$)	**0.67**	0.85	0.85	1.03	1.17
Revenue to property, plant and equipment (x)	**29.8**	41.4	36.6	26.1	21.9
Revenue to inventories (x)	**12.8**	11.6	13.1	12.2	8.3
Revenue to trade receivables (x)	**9.4**	11.5	14.0	9.1	7.2
Revenue to trade payables and accrued expenses (x)	**14.8**	20.3	23.2	21.2	12.4
Revenue to bank debts (x)	**6.5**	6.7	7.5	6.2	6.5

Corporate Information

BOARD OF DIRECTORS

Executive Directors

So Yuk Kwan *(Chairman)*
So Chi On *(Chief Executive Officer)*

Independent Non-Executive Directors

Dr. Hon. Lui Ming Wah, *SBS, JP*
Charles Edward Chapman
Wong Ka Kit

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ho Choi Yan Christopher

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

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Citic Ka Wah Bank Limited

LEGAL ADVISORS

LEUNG & LAU, Solicitors
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 AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.avconcept.com

STOCK CODE

595

CHAIRMAN'S STATEMENT

A Commitment to Deliver Quality

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I have much pleasure to present to you the annual results of AV Concept Holdings Limited ("AV Concept" or the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2009.

The global financial crisis which began in the fourth quarter of year 2008 has spread to the world rapidly and affected many countries' economy deeply. The electronic industry is not an exception of this. During the latest financial year, the Group has recorded a 31% downturn to HK$2,013.3 million in revenue. The decrease in the fair value on equity investments at fair value through profit or loss has reflected a loss of HK$60.7 million. Because of this, the Group recorded an overall loss of HK$66.3 million in the financial year 2008/2009.

Much in advance, the Group started to actively develop a diversified product mix since last year. Among this, the Group acquired 18.9% of the share capital of Wavesquare Inc. ("Wavesquare") based in Korea in October 2007 (the Group held 18.7% of the share capital of Wavesquare as at 31 March 2009) in order to enter the high brightness light emitting-diode ("LED") wafer business and we made a satisfactory progress in this year. Not only has the valuation of the investment substantially appreciated, but also the products are likely to enter the mass production phase in the second quarter of the financial year 2009/2010 and will be launched to the market in the third quarter. We expect this to bring direct and positive contribution to the Group's result performance.

The Group expects that the LED wafer distribution business in the China market will gain market share from the traditional lighting market for us. With the support of a well established distribution network in the Greater China region, the Group will endeavor to secure customers in the LED wafer market and a satisfactory growth will be expected to achieve in the coming years, hence improving the Group's overall net profit. In the third quarter of the financial year 2009/2010, we expect a breakeven will be achieved under this segment.

With an aging global population, the growth in demand for health care facilities is expected to resume and the Group will continue to develop our design and development business in order to grasp the business opportunities. In addition, the Group is also actively exploring new markets for its products. In the mean time, the Group has obtained relevant certification in Korea for its healthcare products and is about to expand to the Korean market. There are also plans to enter into other Asian markets which can bring a more diversified revenue to the Group.

While the Group will sustain the strengths of its traditional businesses, we will also seek to expand our portfolio beyond its current strengths by exploring potential products to be the next growth driver.

Aside from expanding the breadth of products distributed by the Group, we will also be exploring niche investment opportunities that generate solid and sustainable returns. Moreover, we will employ stringent cost controls, including the tightening of credit/inventory controls to improve cash flow that help moderate the impacts of rising costs due to the financial turmoil. While seeking to achieve greater cost effectiveness, obtain higher margin and capture greater market share, we will not neglect our responsibility to delivering fruitful returns to shareholders of the Group.

ACKNOWLEDGMENT

I would like to take this opportunity to extend my gratitude to the Board and the management team for their tireless efforts over the past year. Likewise, the dedication and diligence of our staff are worthy of praise. With their ongoing support, and that of the Group's loyal business partners, we will maintain our commitment to delivering long-term satisfactory returns to our stakeholders.

So Yuk Kwan
Chairman

Hong Kong
22 July 2009

MANAGEMENT

Discussion and Analysis

The following sets out the financial highlights for the year ended 31 March 2009, with the comparative figures for the corresponding financial year of 2008.

	2009	2008
	HK$'million	*HK$'million*
Revenue		
Marketing and distribution	**1,958.4**	2,845.1
Design and development	**54.9**	63.5
Jointly-controlled entity	–	15.4
	2,013.3	2,924.0
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**(71.6)**	(2.6)
Marketing and distribution	**26.0**	27.0
Design and development	**(1.0)**	1.5
Jointly-controlled entity	–	(2.7)
	(46.6)	23.2
Depreciation, amortisation and non-cash items		
Corporate	**(0.6)**	–
Marketing and distribution	**(4.2)**	(4.5)
Design and development	**(0.1)**	(1.8)
Jointly-controlled entity	–	(3.8)
Equity-settled share option expense	–	(3.3)
Net gain on disposal of a jointly-controlled entity and a warrant	–	17.7
	(4.9)	4.3
Profit/(loss) before interest and tax	**(51.5)**	27.5
Interest expenses	**(11.7)**	(21.7)
Profit/(loss) before tax	**(63.2)**	5.8
Tax	**(3.1)**	(1.5)
Profit/(loss) for the year	**(66.3)**	4.3

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2009, the Group's turnover amounted to HK$2,013.3 million, representing a decline of 31% against last year (2008: HK$2,924.0 million). EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) for the year dropped from HK$23.2 million last year to a loss of HK$46.6 million this year. The decrease in EBITDA was primarily due to the international financial tsunami in the fourth quarter of 2008, giving an unprecedented impact to each country and the worldwide economy. The export of electronic products was deeply affected, and with a decline in the fair value on equity investments at fair value through profit or loss, the Group suffered a loss for the year ended 31 March 2009.

During the year, competition in the flash memory market was still keen. Market consolidated while weaker competitors exited from the market, the Group has taken a more advantageous and competitive position. Although the turnover of our marketing and distribution business has dropped, the Group was able to obtain a higher profit margin due to less competitive environment.

In view of the change in the market, the Group started to actively develop a diversified product mix since last year. In October of 2007, the Group acquired 18.9% equity interest of a Korea based company, Wavesquare Inc. ("Wavesquare"), (the Group held 18.7% of the share capital of Wavesquare as at 31 March 2009) and started to enter the high brightness LED wafer business. During the year, the business was still in the investment phase but the pace of development was satisfactory.

During the year, worldwide economy was affected by the international financial tsunami. Neither exports nor investment markets were exempted and each business of the Group suffered different degrees of impact. The decline in the fair value on equity investments at fair value through profit or loss has negatively affected the Group's results. Net profit dropped from HK$4.3 million to a net loss of HK$66.3 million.

The Group's financial performance for the year was mainly affected by:

- After the exit of weaker competitors, the profit margin in flash memory market improved but the business environment was still challenging.

- Newly developed high brightness LED wafer business was still in the investment, research and development phase and not yet contributed to the operating profit.

- After exit from the manufacturing business, the Group focused on the design and development business. However, due to the adverse effect of the financial turmoil in the major North America market, the revenue of niche market electronics and special care products for the elderly and customers with special needs dropped and therefore generated a loss in the design and development business.

- The decline in the fair value on equity investments at fair value through profit or loss.

BUSINESS REVIEW *(continued)*

Marketing and Distribution Business

For the year ended 31 March 2009, turnover of this business segment decreased by 31% to HK$1,958.4 million (2008: HK$2,845.1 million). Following the US economy affected by the financial tsunami, demand of flash memory products further decreased and market consolidated. Many distributors exited from the market and after weaker competitors exited, competition eased, the Group was able to take a more advantageous market position. Although the relevant turnover decreased, profit margin was improved. Under the effect, EBITDA of this segment lowered to HK$26.0 million (2008: HK$27.0 million).

After the market consolidation last year, the Group rode on our extensively established distribution network and long term relationship with leading global electronics manufacturers including Samsung Electronics, Fairchild and other suppliers, the Group was able to take advantage of the opportunity to seize a bigger market share and improve profit margin.

The Group has been actively diversifying its distribution product mix and expanding its customer base to maintain the margin of the business in the market undergoing consolidation. The move was consistent with the Group's focus on distributing products with higher margins and longer life spans. During the year, non-memory products continued to record stable and satisfactory growth. Meanwhile, the Group will further strengthen the local distribution business and diversify the products' market.

The Group started to invest in Korea Wavesquare in 2007 and expanded into the high brightness LED wafer product market. During the year, the business was still in investment, research and development stage but the pace of development was satisfactory and we believe that the business will provide positive contribution in the coming year.

Design and Development Business

After the Group fully withdrew from the manufacturing business, we focused on the design and development business and developed higher margin with longer life span products. As an aftermath of the international financial tsunami in the economy in our major market, North America, the performance of this segment deteriorated and recorded a loss of HK$1.0 million in EBITDA (2008: segmental positive EBITDA was HK$1.5 million). Under the effect of the financial tsunami, dedicated electronic product markets are adversely affected. Sales of niche market electronics and special care products for the elderly and customers with special needs decreased. Turnover (excluding the share of turnover of a jointly-controlled entity) dropped from HK$63.5 million to HK$54.9 million.

During the year under review, sales performance of special care electronics was dissatisfactory. However, with the aging global population, we believe the demand for medical and healthcare equipment will resume growth upon stabilisation of the economy. With the world's largest supplier of low-vision-aid products as one of its key clients, the Group sees strong potential in this business and will continue developing the segment to grasp the opportunities on it. We are confident that the business will help to boost the profit of the Group.

Management Discussion and Analysis

PROSPECTS

The Group has about a 30-year strong foothold in the electronics industry. It has come through testing times and changes in the market over the years, with the support of an extensive network, strong business partnership and the ability to spot business opportunities with strong potential. With these advantages and on the solid foundation it has built, the Group will steadily go forward and further strengthen our leadership in the market in the years ahead.

Since April 2009, the impact of the financial turmoil to the global investment markets has eased and there was a significant up-rise in the performance of the United States, China and Hong Kong's investment markets. The sentiment in global investment markets has become more optimistic and this helped the Group to reduce the loss due to the decline in the fair value on equity investments at fair value through profit or loss.

Marketing and Distribution Business

Although the financial turmoil is not yet over, the Group believes that market has passed the worst situation. The Asia region, especially China's economy, will firstly recover from the impact of the economic turmoil.

For this segment, the Group will continue to consolidate and diversify its product mix and expand the product portfolio of non-memory and memory related products, adding especially new products with higher margins. At the same time, the Group will focus on further developing the Asian market including Greater China, Korea, Japan, etc. to lessen the adverse effect of the slump in North America's export. Apart from expanding the distribution clientele, the Group will also strive to gain new orders from existing customers by offering them enticing value-added services.

The valuation of our investment in Wavesquare's high brightness LED wafer businesses has substantially appreciated and it is expected that it will start mass production in the second quarter of the financial year 2009/2010 and will launch its products into the market in the third quarter. The business is expected to start providing positive contribution to our results.

Being used in indoor, outdoor and vehicles illumination, high brightness LED wafer can provide higher brightness and consume less energy than traditional lighting. It is a type of environmental friendly and high efficiency energy saving product with huge market demand. The target of GDP for the China government is 8% this year and in order to cope with the impact of the financial tsunami on the exports, China government announced an economy stimulation scheme in trillions of Renminbi and a series of measures to stimulate the domestic demand. One of the major initiatives is to promote environmental protection and energy saving industries. It is expected that the real estate and automotive markets will be the major sectors benefited from the domestic demand stimulation and economic recovery scheme. Therefore, we expect that the market demand in environmental friendly and energy saving LED wafer products which can be used in the real estate and automotive illumination will increase substantially.

PROSPECTS *(continued)*

Marketing and Distribution Business *(continued)*

Wavesquare's LED wafer technology has been researched and developed for eight years. Result of tests performed on their products by the Group shows that their technology is the most advanced among the suppliers in the world. Wavesquare possesses a dominating advantage in this technology. The Group plans to distribute all Wavesquare's products in Asia region and has become the exclusive distributor of all Wavesquare's LED products in Hong Kong, Mainland China, Macau and Taiwan.

The Group expects that the sales of LED wafer in China will obtain a satisfactory growth in the coming years, hence improving the Group's overall net profit. In the third quarter of the financial year 2009/2010, we expect the segment to be able to achieve a breakeven.

Backed by a proven distribution network, a diverse product portfolio and an experienced sales and marketing workforce, the Group is confident of becoming a "one-stop" service platform that can deliver a selection of components to meet different needs of its customers.

The Group will continue to implement stringent cost control measures including tightening credit/inventory control and diversifying its distribution portfolio to improve cash flow and reduce the effect on cost brought by the financial turmoil and hence to obtain greater cost effectiveness, enhance profit margin and grow market share.

Design and Development Business

Enjoying long-standing working relationship with the top special-care electronics producer in the world, the Group is equipped to capture the potential in the niche market. Although this market does not generally pose fast growth and is facing the negative impact of the financial tsunami on the economy, with an aging global population and hence a growing market demand, it has high entry barriers and boosts high profit margins favourable for established players. As governments worldwide including Asia become increasingly aware of their responsibilities to provide financial aid to the needy for purchasing the special care products, the Group is poised to capture demand in the region riding on its extensive distribution network.

The Group is also actively opening up new markets for its products. In the mean time, the Group has obtained relevant certification in Korea for its healthcare products and is about to expand to the Korean market. There are also plans to enter other Asian markets which can bring a much diversified revenue to the Group.

Group

Going forward, the Group will continue to expand its distribution portfolio, develop LED wafer products to satisfy the growing market demands for environmental and energy saving products, and grasp suitable opportunities for the design and development business in the fast-changing electronics market. The Group will also continue to look for niche investment ventures with good returns to enhance our shareholders' value in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 31 March 2009 and the corresponding gearing ratio are shown as follows:

	2009	2008
	HK$'million	*HK$'million*
Bank debts	**309.3**	437.0
Cash and cash equivalents	**146.3**	121.4
Equity investments at fair value through profit or loss	**72.4**	174.4
Cash and cash equivalents and equity investments	**218.7**	295.8
Net debt	**90.6**	141.2
Total equity	**276.7**	352.1
Net debt to total equity	**33%**	40%

As at 31 March 2009, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK$146.3 million (2008: HK$121.4 million), while the Group's equity investments at fair value through profit or loss amounted to HK$72.4 million (2008: HK$174.4 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 2009 was 33% (2008: 40%), while the Group's total equity as at 31 March 2009 was HK$276.7 million (2008: HK$352.1 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2009 of HK$218.7 million (2008: HK$295.8 million).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The reconciliation and analysis of change in net debt for the financial year of 2009 and 2008 are set out below.

	2009	2008
	HK$'million	*HK$'million*
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items	**(46.6)**	23.2
Disposal of a jointly-controlled entity and a warrant	**–**	14.2
Proceeds from issue of shares upon exercise of share options	**–**	13.3
Purchase of shareholding in associates	**–**	(22.5)
Investments in associates	**(1.2)**	–
Interest paid	**(11.7)**	(21.7)
Change in working capital	**109.0**	(21.0)
Purchase of an available-for-sale investment	**(1.6)**	(18.3)
Repurchase of shares	**(0.5)**	(9.7)
Hong Kong profits tax refunded/(paid)	**2.6**	(9.2)
Net capital expenditure	**(4.4)**	(3.8)
Others	**9.2**	(2.6)
Decrease/(increase) in net debt before dividend paid	**54.8**	(58.1)
Dividend paid	**(4.2)**	(8.6)
Decrease/(increase) in net debt:	**50.6**	(66.7)

Analysis of change in net debt:

Net debt at beginning of year	**141.2**	74.5
Change in net debt	**(50.6)**	66.7
Net debt at end of year	**90.6**	141.2

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The working capital position of the Group remains healthy. As at 31 March 2009, the liquidity ratio was 130% (2008: 136%).

	2009	2008
	HK$'million	*HK$'million*
Current assets	**626.2**	829.0
Current liabilities	**(483.3)**	(611.7)
Net current assets	**142.9**	217.3
Current assets to current liabilities (%)	**130%**	136%

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.

CHARGE ON GROUP ASSETS

Details of charge on Group assets are set out in note 14 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2009, the Group had no material acquisitions and disposals of subsidiaries and associated companies.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above in this section of "Management Discussion and Analysis", the Group does not have any future plans for material investment or capital assets.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs cost in Hong Kong dollars and US dollars. The directors of the Company (the "Directors") consider the impact of foreign exchange exposure of the Group is minimal.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 38 to the financial statements.

EMPLOYEES

As at 31 March 2009, the Group employed a total of approximately 161 (2008: approximately 160) 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. Share options and discretionary bonuses are granted based on the Group's and individual's performances.

BIOGRAPHICAL

Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. So Yuk Kwan, aged 60, 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 33 years' experience in the electronics industry. Mr. So holds a Master Degree in Business Administration from the University of East Asia (now known as University of Macau) and he is also a Fellow Member of the British Institute of Management. Presently, he is the Vice Chairman of the Executive Committee and Chairman of both of the External Affairs Sub-Committee and HKEIA Education Fund of The Hong Kong Electronic Industries Association. Mr. So is also the Vice President of The Hong Kong Semiconductor Industry Council. Further, Mr. So is 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 and a Fellow Member of CEO Club of The Hong Kong Polytechnic University. Mr. So Yuk Kwan is the father of Mr. So Chi On.

Mr. So Chi On, aged 32, is the Chief Executive Officer responsible for strategic corporate development as well as business development of the Group's medical equipment, special-care electronics products and LED products. Mr. So joined the Group in 1999 and 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hon. Lui Ming Wah, ***SBS, JP,*** aged 71, has been an Independent Non-executive Director of the Company since 1996. Dr. Lui is an established industrialist and was a member of the Legislative Council of the HKSAR between 1998 - 2008. Dr. Lui is also a member of the Chinese People's Political Consultative Conference, an Honorary Chairman of The Hong Kong Electronic Industries Association and the Hon. Chairman of Hong Kong Shandong Chamber of Commerce. In addition, he is also an Advisor of Hong Kong International Arbitration Centre 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 60, has been an Independent Non-executive Director of the Company since 2000. He was Executive Director of the Hong Kong Electronic Industries Association (HKEIA) and Managing Director of the HKEIA's subsidiary publishing company, the Hong Kong Electronics Promotions Ltd. from May 1988 to June 2007 when he retired. Currently, Mr. Chapman is a Senior Industry Consultant for a number of overseas-based trade fair organisers. Prior to joining the HKEIA, Mr. Chapman worked for 12 years as Economics Editor at the Hong Kong Trade Development Council and for 8 years as Business Editor in a local English-language newspaper.

Mr. Wong Ka Kit, aged 32, has been an Independent Non-executive Director of the Company since September 2004. Mr. Wong is the Senior Vice President, Mergers and Acquisitions of PCPD Limited and a holder of Chartered Financial Analyst certificate. Mr. Wong holds a Bachelor Degree in Accounting, Finance and Economics from the University of Wisconsin Madison.

SENIOR MANAGEMENT

Mr. Ho Choi Yan Christopher, aged 36, is the Chief Financial Officer, Qualified Accountant and Company Secretary of the Company. He joined the Group in 2006 and has over 14 years experience in Finance, Accounting and Taxation. Mr. Ho obtained a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Ho had been working for various Hong Kong listed companies holding key positions in financial and corporate accounting functions.

Mr. Choi Joon Yun, aged 45, is the President and Chief Executive Officer of AV Concept Limited, a subsidiary of the Company. He joined the Group in 2006 and has over 20 years experience in Sales and Marketing. Prior to joining the Group, Mr. Choi was the Sales and Marketing Director of Samsung Electronics Co., Ltd. (Shanghai), and the Sales and Marketing Senior Manager of Samsung Electronics Co., Ltd. (Hong Kong and Shenzhen). He had also been working for Samsung Electronics Co., Ltd. (Semiconductor Business) as Sales and Marketing for Asian market.

Mr. Kweon Jong Keun, aged 46, is the President of AV Concept Limited, a subsidiary of the Company. He joined the Group in 2006 and has over 20 years experience in Sales and Marketing. Prior to joining the Group, Mr. Kweon was the Managing Director and President of Gencore Co., Ltd., the Senior Marketing Manager and Market Manager of Fairchild Semiconductor International, Inc. Hong Kong Branch and Korea Branch respectively. He had also been working for Samsung Electronics Co., Ltd. (Semiconductor Business) as Sales and Marketing (Europe, Korea and America).

Mr. Lee Jun Hyog, aged 46, is the President of AV Concept Singapore Pte Ltd., a subsidiary of the Company. He joined the Group in 2003 and has over 19 years experience in Sales and Marketing. Prior to joining the Group, Mr. Lee was the Marketing Vice President of Onyx Technologies Taiwan Branch, Sales and Marketing Manager of Fairchild Semiconductor International, Inc. (Taiwan Branch), and the Sales and Marketing Manager of Samsung Electronics Co., Ltd. (Semiconductor Business).

Mr. Wong Chi Chuen , aged 42 , is the Sales Director of AV Concept Limited, a subsidiary of the Company. He joined the Group in 2007 and has over 19 years experience in Electronics Components Business.

Mr. Giovanni D. Gapasin, aged 42, is the Operations Director of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Gapasin joined the Group in 2003 and has over 19 years in the Manufacturing and Trading Business. Prior to joining the Group, he was the Product and Marketing Manager of SENTON Enterprises, Limited (Xiamen, Fujian, China), Product Engineering Manager of Unical Enterprises (Northwestern Bell Phones) Inc. (Shanghai, China), Operations Manager of Smoothline Limited (Xixian, Shenzhen, China), Production Manager of PL Engineering (Cavite, Philippines), Telecom Engineer of Al-Henaki Construction Co. (Riyadh, Saudi Arabia), and Division Supervisor (Production Planning) of Maxon Systems (Philippines), Inc. (Cavite, Philippines).

Mr. Tsang Chiu Ki, Andrew, aged 48, is the Materials Director of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Tsang joined the Group in 2005 and has over 25 years experience in Electronic Manufacturing Business. Prior to joining the Group, he was the Senior Materials Manager of Beautiful Enterprise Co. Ltd.

REPORT

of the Directors

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2009.

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, development and sale of electronic products. Save as the Group fully withdrew from the manufacturing business, there was no significant change in the nature of principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 39 to 120 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2009.

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

Details of the movements in the Company's share capital and share options during the year are set out in notes 31 and 32 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "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 of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2009, the Company's reserves available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to approximately HK$11,650,000. In addition, the Company's share premium account, in the amount of approximately HK$160,807,000, 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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**2,013,299**	2,924,054	3,099,846	2,452,230	2,287,354
PROFIT/(LOSS) BEFORE TAX	**(63,182)**	5,712	(62,159)	16,231	242,376
Tax	**(3,127)**	(1,460)	(7,722)	(7,891)	(32,266)
PROFIT/(LOSS) FOR THE YEAR	**(66,309)**	4,252	(69,881)	8,340	210,110
Attributable to:					
Equity holders of the Company	**(66,309)**	4,252	(69,881)	10,531	210,110
Minority interests	**–**	–	–	(2,191)	–
	(66,309)	4,252	(69,881)	8,340	210,110

ASSETS AND LIABILITIES

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**765,231**	971,781	939,711	969,460	1,050,889
TOTAL LIABILITIES	**(488,539)**	(619,705)	(594,283)	(552,344)	(576,992)
	276,692	352,076	345,428	417,116	473,897

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. So Yuk Kwan *(Chairman)*

Mr. Lee Jeong Kwan *(Vice Chairman)* (resigned on 16 July 2009)

Mr. So Chi On *(Chief Executive Officer)*

Independent Non-executive Directors:

Dr. Hon. Lui Ming Wah, *SBS, JP*

Mr. Charles Edward Chapman

Mr. Wong Ka Kit

Subsequent to the balance sheet date, on 16 July 2009, Mr. Lee Jeong Kwan resigned as the Vice Chairman and Executive Director.

The Company has received written confirmation from each of the Independent Non-executive Directors, namely Dr. Hon, Lui Ming Wah, *SBS, JP,* Mr. Charles Edward Chapman and Mr. Wong Ka Kit, confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and considers the Independent Non-executive Directors to be independent.

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 18 to 20 of this annual report.

REMUNERATION POLICY

The remuneration of the Directors are recommended by the Remuneration Committee, and approved by the board of Directors (the "Board"), as authorised by shareholders in the annual general meeting of the Company, having regard to their skills, knowledge and involvement in the Company's affairs. No Directors are involved in deciding their own remuneration.

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, Executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate the eligible employees, including the Directors, the Company has adopted a share option scheme. The scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimise their continuing contributions to the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, 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 2009, 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 (the "Model Code") contained in 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 Interest	249,324,189 *(Note)*	60.44%

Note: The shares were held by B.K.S. Company Limited and Jade Concept Limited, respectively. Mr. So Yuk Kwan is deemed to be interested in 249,324,189 shares of the Company by virtue of his interests in B.K.S. Company Limited and Jade Concept Limited, 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 32 to the financial statements.

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executive of the Company had registered 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 section headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" and in the share option scheme disclosures in note 32 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 spouses 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 2009, 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 directly or indirectly 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 were as follows:

Long position in shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
B.K.S. Company Limited ("BKS")	Beneficial owner	168,684,300 *(Note 1)*	40.89%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 *(Note 2)*	19.55%
Madam Yeung Kit Ling ("Madam Yeung")	Beneficial owner	249,324,189 *(Note 3)*	60.44%

Notes:

1. BKS is beneficially owned by Mr. So Yuk Kwan ("Mr. So"). By virtue of the SFO, Mr. So is deemed to be interested in 168,684,300 shares of the Company held by BKS.

2. Jade Concept is beneficially owned by Mr. So. By virtue of the SFO, Mr. So is deemed to be interested in 80,639,889 shares of the Company held by Jade Concept.

3. As Madam Yeung is the spouse of Mr. So, by virtue of the SFO, she is deemed to be interested in all shares of the Company in which Mr. So is interested.

Save as disclosed above, as at 31 March 2009, 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 or underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The summary of those transactions are as follows:

Date	Number of shares repurchases	Price per share Highest	Price per share Lowest	Total price paid
		HK$	*HK$*	*HK$*
22 October 2008	500,000	0.200	0.200	100,000
23 October 2008	150,000	0.200	0.200	30,000
24 October 2008	128,000	0.200	0.199	25,572
27 October 2008	320,000	0.190	0.190	60,800
28 October 2008	430,000	0.190	0.189	81,400
29 October 2008	728,000	0.194	0.190	140,040
30 October 2008	74,000	0.194	0.194	14,356
10 November 2008	140,000	0.185	0.185	25,900
	2,470,000			478,068

All the shares repurchased by the Company were cancelled by the Company and, accordingly, the issued capital of the Company was reduced by the nominal value of these shares. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the premium payable on the repurchase was charged against the share premium account. The repurchases were effected by the Directors for the enhancement of the shareholders' value in the long term.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Further details of the Scheme are disclosed in note 32 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounting to HK$427,000 (2008: HK$437,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales. Purchases from the Group's five largest suppliers for the year accounted for approximately 70% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 37%.

None of the Directors 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 share capital of the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

On 16 July 2009, AV Electronics Group Limited (a wholly-owned subsidiary of the Company) ("AVEGL") and Mr. Lee Jeong Kwan (the former Vice Chairman and Executive Director who resigned on 16 July 2009) entered into a joint venture agreement to jointly establish a joint venture company (the "JVC") to undertake LED backlight module distribution business. Each of AVEGL and Mr. Lee Jeong Kwan holds 50% equity interest of the JVC. The registered capital of the JVC is HK$2,000,000, of which each of AVEGL and Mr. Lee Jeong Kwan will contribute HK$1,000,000. The JVC is agreed by both parties after arm's length negotiations.

Mr. Lee Jeong Kwan is the former Vice Chairman and Executive Director, and therefore a connected person of the Company. The entering into the Joint Venture Agreement constitutes a connected transaction of the Company. Details of the connected transaction were set out in the Company's announcement dated 16 July 2009.

The Independent Non-executive Directors have reviewed the connected transaction set out above and have confirmed that this transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective associates (as defined in the Listing Rules) were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses of which the Directors were appointed as directors to represent the interests of the Company and/or the Group.

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 during the year ended 31 March 2009 and as at the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existing during the year.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out on pages 30 to 34 of this annual report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 44 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment 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
22 July 2009

CORPORATE

Governance Report

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

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 2009, 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 Listing Rules. 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 2009, 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.

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. 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 Shareholders' interests.

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 Shareholders on the first appointment and thereafter at regular intervals through the retirement by rotation process pursuant to the Articles of Association.

Each of the INEDs has been appointed for specific term and has entered into a service agreement with the Company for a term of one year, which shall continue thereafter unless and until terminated by either party giving the other not less than three months' notice in writing. All the Directors are subjected to retirement by rotation in accordance with the Articles of Association.

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

In accordance with article 112 of the Articles of Association, Mr. So Chi On and Dr. Hon. Lui Ming Wah, *SBS, JP* will retire from the office by rotation and, both are being eligible to offer themselves for re-election at the forthcoming annual general meeting. The Board has assessed the independency of Dr. Hon Lui Ming Wah, *SBS, JP* who has been Independent Non-executive Director for over nine years and considered Dr. Lui continues to be independent. None of the Directors standing for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

The position of the Chairman and Chief Executive Officer (the "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 and the Shareholders. The Chairman ensures that the Board is provided with sufficient relevant information that would enable the Directors to effectively discharge their responsibilities.

The CEO is responsible for the implementation of corporate goals, business strategies and policies resolved by the Board from time to time. The CEO assumes full accountability to the Board in respect of the Group's operations.

Save as Mr. So Yuk Kwan, the Chairman, is the father of Mr. So Chi On, the CEO, there is no relationship among members of the Board.

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 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/Number of meeting
Executive Directors	
Mr. So Yuk Kwan *(Chairman)*	4/4
Mr. Lee Jeong Kwan *(Vice Chairman)* (resigned on 16 July 2009)	4/4
Mr. So Chi On *(CEO)*	4/4
Independent Non-Executive Directors	
Dr. Hon. Lui Ming Wah, *SBS, JP*	4/4
Mr. Charles Edward Chapman	4/4
Mr. Wong Ka Kit	3/4

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 comprises three INEDs, namely Dr. Hon. Lui Ming Wah, *SBS, JP* (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 20 January 2009 in terms substantially the same as the code provisions of the CG Code. The principal duties of the 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 financial statements for the year ended 31 March 2008 and the interim results for the six months ended 30 September 2008. In addition, the Audit Committee had also reviewed and discussed with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the financial statements for the year ended 31 March 2009.

Remuneration Committee

The Company's Remuneration Committee was established in 2005 and consists of three INEDs. The Remuneration Committee is chaired by Dr. Hon. Lui Ming Wah, *SBS, JP* and the other members include Mr. Charles Edward Chapman and Mr. Wong Ka Kit. One Remuneration Committee meeting was held during the year to consider the salary increment of the Directors 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 the 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 2009.

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 annually 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.

The Board has also reviewed the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function and their training programmes and budget. Both the Audit Committee and the Board were satisfied that the internal control system of the Group has been functioned effectively during the year and no material internal control aspects of any significant problems were noted.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2009.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors amounted to HK$1,589,000 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 36 to 37 of this report.

INDEPENDENT

Auditors' Report

Independent Auditors' Report

Ernst & Young
安　永

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓

電話: +852 2846 9888
傳真: +852 2868 4432

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 39 to 120, which comprise the consolidated and company balance sheets as at 31 March 2009, 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.

AUDITORS' RESPONSIBILITY *(continued)*

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 2009 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
22 July 2009

CONSOLIDATED

Financial Statements

Consolidated Income Statement

Year ended 31 March 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
REVENUE	5	**2,013,299**	2,924,054
Cost of sales		**(1,910,280)**	(2,812,425)
Gross profit		**103,019**	111,629
Other income and gains	5	**11,625**	8,996
Selling and distribution costs		**(25,484)**	(36,829)
Administrative expenses		**(61,454)**	(62,264)
Net gain on disposal of a jointly-controlled entity and a warrant	36	**–**	17,669
Equity-settled share option expense		**–**	(3,300)
Fair value gains/(losses) on equity investments at fair value through profit or loss		**(60,716)**	4,637
Other expenses		**(15,194)**	(13,063)
Finance costs	7	**(11,634)**	(21,728)
Share of losses of associates		**(3,344)**	(35)
PROFIT/(LOSS) BEFORE TAX	6	**(63,182)**	5,712
Tax	10	**(3,127)**	(1,460)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(66,309)**	4,252
DIVIDENDS	12		
Interim		**–**	8,632
Proposed final		**–**	4,150
		–	12,782
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**(16.0 cents)**	1.0 cent
Diluted		**N/A**	1.0 cent

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**67,644**	70,563
Other intangible assets	15	**1,555**	1,647
Interests in associates	17	**38,164**	29,545
Available-for-sale investments	18	**19,818**	18,262
Convertible note receivable – loan portion	19	**–**	22,718
Deposit for an investment property	20	**11,864**	–
Total non-current assets		**139,045**	142,735
CURRENT ASSETS			
Convertible note receivable – loan portion	19	**25,301**	–
Inventories	21	**157,694**	252,001
Trade and bills receivables	22	**215,006**	255,197
Prepayments, deposits and other receivables	23	**9,464**	26,070
Equity investments at fair value through profit or loss	24	**72,392**	174,370
Time deposits	25	**49,765**	31,402
Cash and bank balances	25	**96,564**	90,006
Total current assets		**626,186**	829,046
CURRENT LIABILITIES			
Trade payables and accrued expenses	26	**135,621**	143,913
Due to a related company	27	**589**	1,458
Interest-bearing bank borrowings	28	**303,939**	429,071
Finance lease payables	29	**202**	301
Tax payable		**42,902**	36,952
Total current liabilities		**483,253**	611,695
NET CURRENT ASSETS		**142,933**	217,351
TOTAL ASSETS LESS CURRENT LIABILITIES		**281,978**	360,086

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	28	**5,010**	7,314
Finance lease payables	29	**107**	338
Deferred tax liability	30	**169**	358
Total non-current liabilities		**5,286**	8,010
Net assets		**276,692**	352,076
EQUITY			
Issued capital	31	**41,252**	41,499
Reserves	33(a)	**235,440**	306,427
Proposed final dividend	12	**–**	4,150
Total equity		**276,692**	352,076

So Yuk Kwan
Director

So Chi On
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Note	Issued capital HK$'000	Share premium account HK$'000	Capital reserve# HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits## HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 April 2007		40,508	156,300	13,872	–	479	134,269	–	345,428
Exchange realignment recognised directly in equity		–	–	–	–	4,185	–	–	4,185
Profit for the year		–	–	–	–	–	4,252	–	4,252
Total income and expense for the year		–	–	–	–	4,185	4,252	–	8,437
Equity-settled share-option arrangements		–	–	–	3,300	–	–	–	3,300
Exercise of share options		2,650	12,786	–	(2,186)	–	–	–	13,250
Repurchase of shares		(1,659)	(8,048)	1,659	–	–	(1,659)	–	(9,707)
Interim 2008 dividend	12	–	–	–	–	–	(8,632)	–	(8,632)
Proposed final 2008 dividend	12	–	–	–	–	–	(4,150)	4,150	–
At 31 March 2008		41,499	161,038*	15,531*	1,114*	4,664*	124,080*	4,150	352,076

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Issued capital	Share premium account	Capital reserve#	Share option reserve	Exchange fluctuation reserve	Retained profits##	Proposed final dividend	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	41,499	161,038	15,531	1,114	4,664	124,080	4,150	352,076
Exchange realignment recognised directly in equity	–	–	–	–	(4,447)	–	–	(4,447)
Loss for the year	–	–	–	–	–	(66,309)	–	(66,309)
Total income and expense for the year	–	–	–	–	(4,447)	(66,309)	–	(70,756)
Final 2008 dividend declared	–	–	–	–	–	–	(4,150)	(4,150)
Repurchase of shares	(247)	(231)	247	–	–	(247)	–	(478)
At 31 March 2009	41,252	160,807*	15,778*	1,114*	217*	57,524*	–	276,692

Included in the balance of the capital reserve as at 31 March 2009 is a capital redemption reserve balance amounting to approximately HK$14,397,000 (2008: HK$14,150,000).

As at 31 March 2009, there was goodwill of HK$12,470,000 (2008: HK$12,470,000) arising from the acquisition of subsidiaries in prior years which remain eliminated against the consolidated retained profits.

* These reserve accounts comprised the consolidated reserves as at 31 March 2009 of HK$235,440,000 (2008: HK$306,427,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(63,182)**	5,712
Adjustments for:			
Finance costs	7	**11,634**	21,728
Share of losses of associates		**3,344**	35
Depreciation	6	**4,946**	7,441
Amortisation of other intangible assets	6	**36**	39
Impairment of trade receivables	6	**2,613**	1,017
Impairment of slow moving inventories	6	**2,726**	2,377
Impairment/(reversal of impairment) of items of property, plant and equipment	6	**336**	(1,325)
Loss/(gain) on disposal of items of property, plant and equipment	6	**(5)**	438
Impairment of an other receivable	6	**3,562**	–
Net gain on disposal of a jointly-controlled entity and a warrant		**–**	(17,669)
Loss on disposal of a subsidiary	6	**–**	32
Fair value losses/(gains) on equity investments at fair value through profit or loss	6	**60,716**	(4,637)
Interest income from a convertible note receivable	6	**(2,583)**	–
Dividend income from listed investments	6	**(1,359)**	(1,115)
Bank interest income	6	**(477)**	(3,940)
Equity-settled share option expense	6	**–**	3,300
		22,307	13,433
Increase in amounts due from associates		**(10,814)**	(200)
Decrease in an amount due from a jointly-controlled entity		**–**	3,143
Decrease/(increase) in inventories		**89,258**	(14,108)
Decrease/(increase) in trade and bills receivables		**32,583**	(31,421)
Decrease in prepayments, deposits and other receivables		**5,180**	6,618
Increase/(decrease) in trade payables and accrued expenses		**(6,337)**	13,506
Increase/(decrease) in an amount due to a related company		**(869)**	1,458
Cash generated from/(used in) operations		**131,308**	(7,571)
Hong Kong profits tax refunded/(paid)		**2,638**	(9,207)
Net cash inflow/(outflow) from operating activities – page 45		**133,946**	(16,778)

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash inflow/(outflow) from operating activities – page 44		**133,946**	(16,778)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income received		**477**	3,940
Dividend received		**1,359**	1,115
Purchases of items of property, plant and equipment	*14*	**(4,381)**	(3,822)
Proceeds from disposal of items of property, plant and equipment		**1,143**	270
Additions to a deposit for an investment property		**(5,118)**	–
Additions to other intangible assets	*15*	**–**	(204)
Purchase of shareholding in associates		**–**	(22,500)
Investments in associates		**(1,149)**	–
Purchase of an available-for-sale investment		**(1,556)**	(18,262)
Disposal of equity investments at fair value through profit or loss		**41,262**	31,393
Disposal of a jointly-controlled entity and a warrant		**–**	14,222
Net cash inflow from investing activities		**32,037**	6,152
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	*31(a)*	**–**	13,250
Repurchase of shares	*31(b)*	**(478)**	(9,707)
Increase in discounted bills		**3,368**	–
Increase in unsecured bank loan		**28,209**	6,800
Repayment of bank loan		**(2,304)**	(2,304)
Net increase/(decrease) in import and trust receipt loans		**(152,780)**	14,851
Capital element of finance lease rental payments		**(275)**	(1,082)
Interest paid		**(11,587)**	(21,608)
Interest element on finance lease rental payments		**(47)**	(120)
Dividend paid		**(4,150)**	(8,632)
Net cash outflow from financing activities		**(140,044)**	(8,552)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**25,939**	(19,178)
Cash and cash equivalents at beginning of year		**121,408**	139,161
Effect of foreign exchange rate changes, net		**(1,018)**	1,425
CASH AND CASH EQUIVALENTS AT END OF YEAR		**146,329**	121,408
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**96,564**	90,006
Non-pledged time deposits with original maturity of less than three months when acquired	*25*	**49,765**	31,402
		146,329	121,408

Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*16*	**269,025**	260,636
CURRENT ASSETS			
Prepayments	*23*	**68**	55
Cash and bank balances	*25*	**623**	18,183
Total current assets		**691**	18,238
CURRENT LIABILITIES			
Accrued expenses	*26*	**1,138**	2,498
Tax payable		**39,358**	39,824
Total current liabilities		**40,496**	42,322
NET CURRENT LIABILITIES		**(39,805)**	(24,084)
Net assets		**229,220**	236,552
EQUITY			
Issued capital	*31*	**41,252**	41,499
Reserves	*33(b)*	**187,968**	190,903
Proposed final dividend	*12*	**–**	4,150
Total equity		**229,220**	236,552

So Yuk Kwan
Director

So Chi On
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, 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, development 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 include all Hong Kong Financial Reporting Standards, 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 equity investments at fair value through profit or loss, 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 and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. 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. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect 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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement- Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [6]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* * which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. These amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfers of assets from customers received on or after 1 July 2009
* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 7, HKFRS 8, HKAS 1, HKAS 7, HKAS 8, HKAS 10, HKAS 16, HKAS 17, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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 HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, 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 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

(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.

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. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interests in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

The result of a jointly-controlled entity is included in the Group's income statement to the extent of dividends received and receivable. The Group'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 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. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. 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.

The results of associates are included in the Group's income statement to the extent of dividends received and receivable. The Group's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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. The Group performs its annual impairment test of goodwill as at 31 March. 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.

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

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.

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 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 an 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, but 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 an 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 least 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 memberships

The Group's golf club memberships are stated at cost less any accumulated amortisation and any accumulated impairment losses, on an individual basis.

Trademarks

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the 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.

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. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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 less any allowance for impairment. 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. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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 by adjusting the allowance account. 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 and other 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 and significant changes in the technological, market, economic or legal environment that have an adverse effect on 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. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. 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 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. The related interest expense is recognised within "finance costs" in the income statement.

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 less 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 of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; 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 be incurred 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 that are readily convertible into known amounts of cash, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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;

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

(d) management fee income, when the services have been rendered.

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").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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.

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 dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

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.

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 refunded 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 the Group's subsidiaries which operate in Mainland China and Singapore are required to participate in a pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a fixed percentage of their payroll costs to the pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension schemes.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 dates 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.

The functional currencies of certain overseas subsidiaries and associates 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

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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 non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 43 to the financial statements.

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such determination of what is significant of prolonged decline requires judgement. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. For the year ended 31 March 2009, no impairment losses have been recognised for available-for-sale investments (2008: Nil). The carrying amount of available-for-sale investments was HK$19,818,000 (2008: HK$18,262,000).

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 development segment engages in the design, development 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 2009 and 2008.

	Marketing and distribution		Design and development		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,958,404**	2,845,112	**54,895**	78,942	**–**	–	**2,013,299**	2,924,054
Intersegment sales	**12,054**	14,165	**235**	2,659	**(12,289)**	(16,824)	**–**	–
Other income and gains	**2,447**	295	**1,583**	2,321	**–**	–	**4,030**	2,616
Total	**1,972,905**	2,859,572	**56,713**	83,922	**(12,289)**	(16,824)	**2,017,329**	2,926,670
Segment results	**30,103**	23,454	**(1,381)**	(8,981)	**–**	–	**28,722**	14,473
Bank interest income							**477**	3,940
Interest income from a convertible note receivable							**2,583**	–
Dividend income from listed investments							**1,359**	1,115
Management fee income from associates							**3,171**	–
Loss on disposal of a subsidiary	**–**	–	**–**	(32)	**–**	–	**–**	(32)
Share of losses of associates							**(3,344)**	(35)
Net gain on disposal of a jointly-controlled entity and a warrant	**–**	–	**–**	17,669	**–**	–	**–**	17,669
Fair value gains/(losses) on equity investments at fair value through profit or loss							**(60,716)**	4,637
Gain/(loss) on disposal of items of property, plant and equipment							**5**	(438)
Reversal of impairment/(impairment) of items of property, plant and equipment							**(336)**	1,325
Equity-settled share option expense							**–**	(3,300)
Impairment of an other receivable							**(3,562)**	–
Unallocated expenses							**(19,907)**	(11,914)
Finance costs							**(11,634)**	(21,728)
Profit/(loss) before tax							**(63,182)**	5,712
Tax							**(3,127)**	(1,460)
Profit/(loss) for the year							**(66,309)**	4,252

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Marketing and distribution		Design and development		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**479,535**	580,526	**16,547**	48,231	**496,082**	628,757
Unallocated assets					**269,149**	343,024
Total assets					**765,231**	971,781
Segment liabilities	**131,674**	112,046	**3,109**	30,298	**134,783**	142,344
Unallocated liabilities					**353,756**	477,361
Total liabilities					**488,539**	619,705
Other segment information:						
Depreciation	**1,716**	2,212	**93**	2,685	**1,809**	4,897
Unallocated depreciation					**3,137**	2,544
					4,946	7,441
Amortisation of other intangible assets	**–**	–	**5**	5	**5**	5
Unallocated amortisation of other intangible assets					**31**	34
					36	39
Impairment of trade receivables	**2,613**	602	**–**	415	**2,613**	1,017
Capital expenditure	**1,073**	2,749	**77**	1,207	**1,150**	3,956
Unallocated capital expenditure					**3,231**	70
					4,381	4,026

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 2009 and 2008.

	Hong Kong		Mainland China		Singapore		Korea		Other locations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**1,528,545**	2,022,587	**1,634**	–	**431,613**	822,525	**28,841**	31,189	**22,666**	47,753	**2,013,299**	2,924,054
Other segment information:												
Segment assets	**680,792**	835,463	**14,234**	14,557	**70,205**	121,761	**–**	–	**–**	–	**765,231**	971,781
Capital expenditure	**3,373**	3,816	**14**	–	**994**	210	**–**	–	**–**	–	**4,381**	4,026

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	
	2009	2008
	HK$'000	*HK$'000*
Revenue		
Marketing and distribution of electronic components	**1,958,404**	2,845,112
Design, development and sale of electronic products	**54,895**	78,942
	2,013,299	2,924,054
Other income and gains		
Bank interest income	**477**	3,940
Interest income from a convertible note receivable	**2,583**	–
Dividend income from listed investments	**1,359**	1,115
Reversal of impairment of items of property, plant and equipment	**–**	1,325
Gain on disposal of items of property, plant and equipment	**5**	–
Management fee income from associates	**3,171**	–
Management fee income from a related company	**240**	–
Insurance claim for damaged inventories	**1,458**	–
Others	**2,332**	2,616
	11,625	8,996

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2009 HK$'000	2008 HK$'000
Cost of inventories sold		**1,904,280**	2,771,572
Depreciation	*14*	**4,946**	7,441
Amortisation of other intangible assets*	*15*	**36**	39
Impairment of trade receivables**	*22*	**2,613**	1,017
Impairment of an other receivable**		**3,562**	–
Impairment of slow moving inventories*		**2,726**	2,377
Minimum lease payments under operating leases in respect of land and buildings		**1,971**	2,228
Auditors' remuneration		**1,589**	1,672
Staff costs (including directors' remuneration – *note 8*):			
Wages and salaries		**52,236**	58,223
Pension scheme contributions		**1,617**	777
Equity-settled share option expense		**–**	3,300
		53,853	62,300
Fair value losses/(gains) on equity investments at fair value through profit or loss		**60,716**	(4,637)
Foreign exchange differences, net**		**3,316**	1,630
Loss/(gain) on disposal of items of property, plant and equipment		**(5)**	438
Bank interest income		**(477)**	(3,940)
Interest income from a convertible note receivable		**(2,583)**	–
Dividend income from listed investments		**(1,359)**	(1,115)
Reversal of impairment of items of property plant and equipment	*14*	**–**	(1,325)
Impairment of items of property, plant and equipment**	*14*	**336**	–
Loss on disposal of a subsidiary	*35*	**–**	32

* The balances 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	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**11,364**	21,075
Interest on a mortgage loan	**223**	533
Interest on finance leases	**47**	120
	11,634	21,728

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	
	2009	2008
	HK$'000	*HK$'000*
Fees	**260**	230
Other emoluments:		
Salaries, housing and other allowances, and benefits in kind	**10,948**	12,325
Equity-settled share option expense	**–**	454
Pension scheme contributions	**332**	360
	11,280	13,139
	11,540	13,369

In the prior year, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options which had been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2009	2008
	HK$'000	*HK$'000*
Dr. Hon. Lui Ming Wah, *SBS, JP*	**100**	100
Mr. Charles Edward Chapman	**80**	80
Mr. Wong Ka Kit	**80**	50
	260	230

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

(b) Executive directors

	Salaries, housing and other allowances, and benefits in kind	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009				
Executive directors:				
Mr. So Yuk Kwan	5,548	–	221	5,769
Mr. Lee Jeong Kwan	2,990	–	12	3,002
Mr. So Chi On	2,410	–	99	2,509
	10,948	–	332	11,280

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

	Salaries, housing and other allowances, and benefits in kind	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Executive directors:				
Mr. So Yuk Kwan	6,320	–	273	6,593
Mr. Lee Jeong Kwan	3,795	165	–	3,960
Mr. So Chi On	2,210	289	87	2,586
	12,325	454	360	13,139

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 (2008: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2008: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,670**	2,900
Equity-settled share option expense	**–**	660
	2,670	3,560

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

	Number of employees	
	2009	2008
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	2
	2	2

In the prior year, share options were granted to two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options which had been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**4,164**	1,806
Under/(over) provision in prior years	**(848)**	232
Deferred *(note 30)*	**(189)**	(578)
Total tax charge for the year	**3,127**	1,460

10. TAX *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) 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	
	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before tax	**(63,182)**	5,712
Tax at the applicable rates to profits/(losses) in the locations concerned	**(10,425)**	1,000
Under/(over) provision in prior years	**(848)**	232
Income not subject to tax	**(1,559)**	(3,752)
Expenses not deductible for tax	**3,124**	3,091
Tax losses not recognised	**12,388**	2,332
Tax losses utilised from previous periods	**–**	(1,065)
Others	**447**	(378)
Tax charge for the year	**3,127**	1,460

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 2009 includes a loss of HK$2,704,000 (2008: HK$97,613,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim – Nil (2008: HK2 cents) per ordinary share	**–**	8,632
Proposed final – Nil (2008: HK1 cent) per ordinary share	**–**	4,150
	–	12,782

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 profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted loss per share amount for the year ended 31 March 2009 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	**(66,309)**	4,252

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**413,947,115**	422,156,868
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	483,301
	413,947,115	422,640,169

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 2009							
At 31 March 2008 and at 1 April 2008:							
Cost	43,057	24,951	6,137	3,588	3,266	11,289	92,288
Accumulated depreciation and impairment	(3,398)	(1,436)	(3,848)	(2,757)	(2,669)	(7,617)	(21,725)
Net carrying amount	39,659	23,515	2,289	831	597	3,672	70,563
At 1 April 2008, net of accumulated depreciation and impairment	39,659	23,515	2,289	831	597	3,672	70,563
Additions	–	–	58	1,092	–	3,231	4,381
Disposals	–	–	(48)	(14)	–	(1,076)	(1,138)
Impairment	–	(336)	–	–	–	–	(336)
Depreciation provided during the year	(997)	(547)	(1,225)	(1,269)	(64)	(844)	(4,946)
Exchange realignment	–	(764)	–	(30)	–	(86)	(880)
At 31 March 2009, net of accumulated depreciation and impairment	38,662	21,868	1,074	610	533	4,897	67,644
At 31 March 2009:							
Cost	43,057	24,124	6,113	4,200	637	11,492	89,623
Accumulated depreciation and impairment	(4,395)	(2,256)	(5,039)	(3,590)	(104)	(6,595)	(21,979)
Net carrying amount	38,662	21,868	1,074	610	533	4,897	67,644

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

Group

	Leasehold land and buildings (Hong Kong)# HK$'000	Land and buildings (Outside Hong Kong)# HK$'000	Leasehold improvements HK$'000	Furniture, fittings and office equipment HK$'000	Plant, machinery and tools HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2008							
At 1 April 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
At 1 April 2007, net of accumulated depreciation and impairment	40,656	22,094	3,796	2,218	12,947	3,006	84,717
Additions	–	–	178	720	856	2,068	3,822
Disposals	–	–	–	(566)	–	(142)	(708)
Disposal of a jointly – controlled entity *(note 36)*	–	–	(304)	(644)	(10,942)	–	(11,890)
Reversal of impairment	–	1,325	–	–	–	–	1,325
Depreciation provided during the year	(997)	(479)	(1,381)	(920)	(2,264)	(1,400)	(7,441)
Exchange realignment	–	575	–	23	–	140	738
At 31 March 2008, net of accumulated depreciation and impairment	39,659	23,515	2,289	831	597	3,672	70,563
At 31 March 2008:							
Cost	43,057	24,951	6,137	3,588	3,266	11,289	92,288
Accumulated depreciation and impairment	(3,398)	(1,436)	(3,848)	(2,757)	(2,669)	(7,617)	(21,725)
Net carrying amount	39,659	23,515	2,289	831	597	3,672	70,563

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 2009, the Group's land and buildings at cost included above were held under the following lease terms:

	Hong Kong	Outside Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*
Freehold	–	6,430	6,430
Medium term leases	43,057	17,694	60,751
	43,057	24,124	67,181

At 31 March 2009, certain land and buildings with a carrying value of approximately HK$34,389,000 (2008: HK$35,275,000) held by the Group were pledged to a bank to secure a mortgage loan granted to the Group (note 28).

The net carrying amount of the Group's property, plant and equipment held under finance leases as at 31 March 2009 included motor vehicles of HK$15,598 (2008: HK$221,703).

15. OTHER INTANGIBLE ASSETS

Group

	Golf club memberships *HK$'000*	Trademarks *HK$'000*	Total *HK$'000*
31 March 2009			
At 31 March 2008 and 1 April 2008:			
Cost	2,433	59	2,492
Accumulated amortisation and impairment	(834)	(11)	(845)
Net carrying amount	1,599	48	1,647
Cost at 1 April 2008, net of accumulated amortisation and impairment	1,599	48	1,647
Amortisation provided during the year	(30)	(6)	(36)
Exchange realignment	(56)	–	(56)
At 31 March 2009	1,513	42	1,555
At 31 March 2009:			
Cost	2,344	59	2,403
Accumulated amortisation and impairment	(831)	(17)	(848)
Net carrying amount	1,513	42	1,555

15. OTHER INTANGIBLE ASSETS *(continued)*

Group

	Golf club memberships	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*
31 March 2008			
At 1 April 2007:			
Cost	2,151	59	2,210
Accumulated amortisation and impairment	(773)	(6)	(779)
Net carrying amount	1,378	53	1,431
Cost at 1 April 2007, net of accumulated amortisation and impairment	1,378	53	1,431
Addition	204	–	204
Amortisation provided during the year	(34)	(5)	(39)
Exchange realignment	51	–	51
At 31 March 2008	1,599	48	1,647
At 31 March 2008:			
Cost	2,433	59	2,492
Accumulated amortisation and impairment	(834)	(11)	(845)
Net carrying amount	1,599	48	1,647

16. INTERESTS IN SUBSIDIARIES

	Company 2009 HK$'000	Company 2008 HK$'000
Unlisted shares, at cost	**55,016**	55,016
Due from subsidiaries	**279,077**	271,561
Due to subsidiaries	**(29,658)**	(30,531)
	304,435	296,046
Impairment #	**(35,410)**	(35,410)
	269,025	260,636

An impairment of approximately HK$35,410,000 (2008: HK$35,410,000) was recognised because certain subsidiaries of the Company have been making losses.

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 to 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")	Hong Kong	HK$10,000	–	100	Investment holding

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: (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
AV Concept Limited	Hong Kong	HK$2 HK$1,000,000@	– –	100 100	Trading of electronic components
AV Concept Singapore Pte. Ltd.	Singapore	SGD4,000,000	–	100	Trading of electronic components
AVC Technology (International) Limited	Hong Kong	HK$1	–	100	Procurement of electronic components
Dragon Favour Technology Limited ("Dragon Favour")	Hong Kong	HK$200	–	100	Investment holding
New Concept Capital Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding

@ Represents deferred shares issued by AV Concept Limited

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 2009 HK$'000	Group 2008 HK$'000
Share of net assets	**27,150**	29,345
Due from associates	**11,014**	200
	38,164	29,545

The balances with associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances due from associates approximate to their fair values.

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 2009	2008	Principal activities
桂林九鋪香麒麟酒業有限公司* ("桂林九鋪香")	Registered capital RMB52,500,000	People's Republic of China	**50**	50	Investment holding
Luv Inc.*	2 ordinary shares of US$1 each	British Virgin Islands	**50**	50	Product design
Signeo Design International Limited*	2 ordinary shares of HK$1 each	Hong Kong	**50**	–	Trading of electric products and eyeware
Luv Online International Limited*	100 ordinary shares of HK$1 each	Hong Kong	**45**	–	Software programming

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Note:

The financial statements of the above associates are coterminous with those of the Group, except for 桂林九鋪香 which has a financial year end of 31 December. The consolidated financial statements are adjusted for the material transactions between 1 January and 31 March.

17. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2009	2008
	HK$'000	*HK$'000*
Assets	**88,203**	94,100
Liabilities	**(34,960)**	(36,382)
Revenue	**8,765**	–
Loss	**(6,747)**	(71)

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	**19,818**	18,262

The above investments consist of investments in unlisted equity investments which were designated as available-for-sale investments and have no fixed maturity date or coupon rate.

19. CONVERTIBLE NOTE RECEIVABLE – LOAN PORTION

At 31 March 2009, the Group held an unlisted convertible note with a principal amount of US$3,000,000, which was issued by a private company. The convertible note conferred rights to the bearer to convert the whole or part of the outstanding principal amount into shares of the private company at a conversion price of US$0.6 per share. The convertible note bears interest at a rate of 8% per annum.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date of the convertible note on 31 August 2009. The convertible note shall be mandatorily redeemed by the issuer on 31 August 2009 at the outstanding principal amount together with interest accrued.

Subsequent to balance sheet date, on 1 June 2009, the private company issued a convertible note of US$3,000,000 to the Group in consideration of the delivery of the convertible note held by the Group as at the balance sheet date for cancellation. The note bears interest at a rate of 12% per annum and is repayable by the issuer by monthly installments starting from 31 August 2009. The note can be redeemed by the issuer at its face value until the maturity date on 30 November 2010.

20. DEPOSIT FOR AN INVESTMENT PROPERTY

The deposit is unsecured and interest-free. The balance will be reclassified to investment property when the property is completed and ready for use.

21. INVENTORIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**2,811**	7,895
Finished goods	**154,883**	244,106
	157,694	252,001

22. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**212,932**	256,363
Impairment	**(1,294)**	(1,166)
	211,638	255,197
Bills receivable discounted with recourse *(note 28)*	**3,368**	–
	215,006	255,197

22. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's 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 over 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. Bills receivable discounted with recourse are interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current	**138,900**	146,173
1 to 30 days	**59,798**	58,570
31 to 60 days	**5,027**	26,928
Over 60 days	**9,207**	24,692
	212,932	256,363

An aged analysis of the bills receivable as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current	**3,368**	–

22. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 April	**1,166**	616
Impairment losses recognised *(note 6)*	**2,613**	1,017
Amount written off as uncollectible	**(2,485)**	–
Disposal of a subsidiary	**–**	(467)
	1,294	1,166

The above provision is for individually impaired trade receivables which related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**138,662**	146,173
Less than 1 month past due	**59,719**	58,468
1 to 3 months past due	**4,843**	26,928
3 to 6 months past due	**8,414**	23,628
	211,638	255,197

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**949**	8,474	**68**	55
Deposits and other receivables	**8,515**	17,596	**–**	–
	9,464	26,070	**68**	55

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of deposits and other receivables approximate to their fair values.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Managed funds, outside Hong Kong,				
at market value	**34,582**	102,995	**–**	–
Listed equity investments, at market value:				
Hong Kong	**30,159**	47,564	**–**	–
Elsewhere	**7,651**	23,811	**–**	–
	72,392	174,370	**–**	–

The above equity investments at 31 March 2008 and 2009 were classified as held for trading.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits	**49,765**	31,402	**–**	–
Cash and bank balances	**96,564**	90,006	**623**	18,183
Cash and cash equivalents	**146,329**	121,408	**623**	18,183

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,560,000 (2008: HK$1,038,000). 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 bank balances are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES AND ACCRUED EXPENSES

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables:				
Current	**57,628**	85,639	**–**	–
1 to 30 days	**46,641**	25,630	**–**	–
31 to 60 days	**–**	1,018	**–**	–
Over 60 days	**15,590**	–	**–**	–
	119,859	112,287	**–**	–
Accrued expenses	**15,762**	31,626	**1,138**	2,498
	135,621	143,913	**1,138**	2,498

26. TRADE PAYABLES AND ACCRUED EXPENSES *(continued)*

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.

27. DUE TO A RELATED COMPANY

The balance with a related company is unsecured, interest-free and repayable within one year. The carrying amount of the balance due to a related company approximates to its fair value.

28. INTEREST-BEARING BANK BORROWINGS

	2009			2008		
Group	**Effective interest rate** *(%)*	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Mortgage loan – secured	1.58	2010	2,304	4.75	2009	2,304
Import and trust receipt loans – unsecured	1.40 – 6.13	2010	263,258	3.61 – 6.47	2009	318,157
Import and trust receipt loans – secured	–	–	–	4.65	2009	101,810
Bank loans – discounted bills with recourse *(note 22)*	1.10 – 1.35	2010	3,368	–	–	–
Bank loan – unsecured	1.66 – 1.70	2010	35,009	3.62	2009	6,800
			303,939			429,071
Non-current						
Mortgage loan – secured	1.58	2011 – 2013	5,010	4.75	2010 – 2013	7,314
			308,949			436,385

28. INTEREST-BEARING BANK BORROWINGS *(continued)*

	Group	
	2009	2008
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**303,939**	429,071
In the second year	**2,304**	2,304
In the third to fifth years, inclusive	**2,706**	5,010
	308,949	436,385

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$34,389,000 (2008: HK$35,275,000) (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.

29. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for the Group's marketing and distribution business. These leases are classified as finance leases and have lease terms ranging from one to four years.

At 31 March 2009, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2009 HK$'000	Minimum lease payments 2008 HK$'000	Present value of minimum lease payments 2009 HK$'000	Present value of minimum lease payments 2008 HK$'000
Amounts payable:				
Within one year	**236**	353	**202**	301
In the second year	**115**	258	**100**	221
In the third to fifth years, inclusive	**8**	135	**7**	117
Total minimum finance lease payments	**359**	746	**309**	639
Future finance charges	**(50)**	(107)		
Total net finance lease payables	**309**	639		
Portion classified as current liabilities	**(202)**	(301)		
Non-current portion	**107**	338		

As at 31 March 2009, the effective interest rates of the finance lease payables range from 4.3% to 5.3% (2008: range from 4.2% to 4.9%) per annum. The carrying amounts of the Group's finance lease payables approximate to their fair values.

30. DEFERRED TAX LIABILITY

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 April	**358**	1,560
Deferred tax credited to the income statement during the year *(note 10)*	**(189)**	(578)
Disposal of a jointly-controlled entity and a warrant *(note 36)*	**–**	(624)
At 31 March	**169**	358

The Group has tax losses arising in Hong Kong of HK$112,310,000 (2008: HK$37,231,000) 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.

At 31 March 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	Company	
	2009	2008
	HK$'000	*HK$'000*
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
412,524,419 (2008: 414,994,419) ordinary shares of HK$0.10 each	**41,252**	41,499

The movements in share capital were as follows:

(a) On 18 July 2007, the Company granted 40,000,000 ordinary share options to its directors and employees at the subscription price of HK$0.50 per share. On 19 July 2007, the Company issued 26,500,000 ordinary shares of HK$0.10 each under the share option scheme of the Company at the subscription price of HK$0.50 per share, which resulted in an increase in issued capital and share premium of HK$2,650,000 and HK$10,600,000, respectively. Accordingly, an amount of HK$2,186,000 was transferred from the share option reserve to the share premium account.

(b) During the period from 22 October 2008 to 10 November 2008, the Company repurchased 2,470,000 of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from HK$0.19 to HK$0.20 per share, for an aggregate cash consideration of approximately HK$478,000.

All the shares repurchased by the Company were cancelled by the Company and, accordingly, the issued capital of the Company was reduced by the nominal value of these shares. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the premium payable on the repurchase was charged against the share premium account. The repurchases were effected by the directors for the enhancement of the shareholder value in the long term.

31. SHARE CAPITAL *(continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 April 2007	405,082,419	40,508	156,300	–	196,808
Equity-settled share option arrangements	–	–	–	3,300	3,300
Share options exercised	26,500,000	2,650	10,600	–	13,250
Transfer of reserve upon exercise of share options	–	–	2,186	(2,186)	–
Repurchase of shares	(16,588,000)	(1,659)	(8,048)	–	(9,707)
At 31 March 2008 and 1 April 2008	414,994,419	41,499	161,038	1,114	203,651
Repurchase of shares	(2,470,000)	(247)	(231)	–	(478)
At 31 March 2009	412,524,419	41,252	160,807	1,114	203,173

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. 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 share options is determinable by the directors, but may not be less than the higher of (i) 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.

32. SHARE OPTION SCHEME *(continued)*

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

	Number of share options										
Name or category of participant	At 1 April 2008	Granted during the year	Forfeited during the year	Exercised during the year	Cancelled during the year	Expired during the year	At 31 March 2009	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	18 July 2007	19 July 2007 to 12 May 2012	0.50	0.50
So Chi On	3,500,000	–	–	–	–	–	3,500,000	18 July 2007	19 July 2007 to 12 May 2012	0.50	0.50
Sub-total	5,500,000	–	–	–	–	–	5,500,000				
Other employees											
In aggregate	8,000,000	–	–	–	–	–	8,000,000	18 July 2007	19 July 2007 to 12 May 2012	0.50	0.50
Total	13,500,000	–	–	–	–	–	13,500,000				

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.

32. SHARE OPTION SCHEME *(continued)*

	2009		2008	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 April	**0.50**	**13,500**	–	–
Granted during the year	–	–	0.50	40,000
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	0.50	(26,500)
Cancelled during the year	–	–	–	–
Expired during the year	–	–	–	–
At 31 March	**0.50**	**13,500**	0.50	13,500

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.50 (2008: HK$0.50).

The exercise price and exercise period of the share options outstanding as at that balance sheet date are as follows:

2009	**Number of options** *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
	13,500	0.50	19 July 2007 to 12 May 2012

2008	**Number of options** *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
	13,500	0.50	19 July 2007 to 12 May 2012

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

32. SHARE OPTION SCHEME *(continued)*

No share options was granted during the year. The fair value of the share options granted in the prior year was HK$3,300,000 and all was recognised as equity-settled share option expense during the year ended 31 March 2008.

The fair value of equity-settled share options granted was estimated as at the date of grant of 18 July 2007, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	18 July 2007
Dividend yield (%)	–
Expected volatility (%)	0.62
Risk-free interest rate (%)	3.89
Expected life of options (year)	4.82
Weighted average share price (HK$)	0.50

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

In the prior year, 26,500,000 share options exercised resulted in the issue of 26,500,000 ordinary shares of the Company and new share capital of HK$2,650,000 and share premium of HK$10,600,000, as further detailed in note 31(a) to the financial statements.

At the balance sheet date, the Company had 13,500,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,500,000 additional ordinary shares of the Company and additional share capital of HK$1,350,000 and share premium of HK$5,400,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 13,500,000 share options outstanding under the Scheme, which represented approximately 3.3% of the Company's shares in issue as at that date.

33. 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 42 and 43 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007		156,300	–	12,491	126,655	295,446
Loss for the year	11	–	–	–	(97,613)	(97,613)
Equity-settled share option arrangements		–	3,300	–	–	3,300
Exercise of share options		12,786	(2,186)	–	–	10,600
Repurchase of shares		(8,048)	–	1,659	(1,659)	(8,048)
Interim 2008 dividend	12	–	–	–	(8,632)	(8,632)
Proposed final 2008 dividend	12	–	–	–	(4,150)	(4,150)
At 31 March 2008 and 1 April 2008		161,038	1,114	14,150	14,601	190,903
Loss for the year	11	–	–	–	(2,704)	(2,704)
Repurchase of shares		(231)	–	247	(247)	(231)
At 31 March 2009		160,807	1,114	14,397	11,650	187,968

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

34. BUSINESS COMBINATION

In the prior year, on 1 February 2008, the Group acquired a 100% equity interest in Dragon Favour from an independent third party. The purchase consideration for the acquisition was in the form of cash of HK$300 paid on the acquisition date.

The carrying amounts and the fair values of the assets and liabilities of Dragon Favour as at the date of acquisition were as follows:

	HK$
Cash at bank	531
Accruals and other payables	(231)
	300
Satisfied by cash	300

Since its acquisition, Dragon Favour had no contribution to the Group's revenue and profit for the year ended 31 March 2008.

Had the combination taken place at the beginning of the year ended 31 March 2008, there would have been no material change to the revenue and the profit of the Group for the year ended 31 March 2008.

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary for the year ended 31 March 2008 is as follows:

	HK$
Cash consideration	(300)
Cash at bank acquired	531
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	231

35. DISPOSAL OF SUBSIDIARIES

The Group entered into agreements with two independent third parties to dispose of its entire equity interests in Sign Limited, AVC Assistive Technology Limited and AVC Merchandising Limited for a total consideration of HK$3. The consideration for the disposals of Sign Limited, AVC Assistive Technology Limited and AVC Merchandising Limited was determined with reference to their financial positions as at 31 January 2009, 28 February 2009 and 12 March 2009, respectively. The disposals were completed on 9 February 2009, 19 March 2009 and 19 March 2009, respectively.

In the prior year, on 31 May 2007, the Group disposed of its entire equity interest in AVC Technology Limited ("AVCT") for 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, resulted in a loss on disposal of a subsidiary of HK$32,000 (note 6) was charged to the consolidated income statement during the year ended 31 March 2008.

36. DISPOSAL OF A JOINTLY-CONTROLLED ENTITY AND A WARRANT

In the prior year, on 18 December 2007, AVCC entered into an agreement with BreconRidge Corporation ("BreconRidge") to dispose of its 50% equity interest in AV BreconRidge Limited ("AV BreconRidge") for a consideration of 8% Convertible Note of HK$22,718,000 and disposal of a Warrant in BreconRidge for cash of HK$15,600,000. The disposal was completed on 30 January 2008.

	Notes	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	*14*	11,890
Trade receivables		2,415
Prepayments, deposits and other receivables		877
Cash and bank balances		1,378
Trade payables and accrued expenses		(14,771)
Finance lease payables		(644)
Tax payable		(368)
Deferred tax liability	*30*	(624)
		153
Net gain on disposal of a jointly-controlled entity and a warrant		17,669
Disposal of the Warrant		18,400
Expenses attributable to the disposal of a jointly-controlled entity		1,200
Expenses attributable to the disposal of the Warrant		896
		38,318

36. DISPOSAL OF A JOINTLY-CONTROLLED ENTITY AND A WARRANT *(continued)*

	Note	*HK$'000*
Satisfied by:		
Cash		15,600
Convertible Note	*19*	22,718
		38,318

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a jointly-controlled entity and a warrant for the year ended 31 March 2008 is as follows:

	HK$'000
Cash consideration	15,600
Cash and bank balances disposed of	(1,378)
Net inflow of cash and cash equivalents in respect of the disposal of a jointly-controlled entity and a warrant	14,222

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) In the prior year, the acquisition of a 100% equity interest in Dragon Favour did not result in any further cash flows to the Group other than a net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary of HK$231.

(b) In the prior year, the disposal of a 50% equity interest in AV BreconRidge did not result in any further cash flows to the Group other than a net inflow of cash and cash equivalents in respect of the disposal of the jointly-controlled entity of HK$14,222,000.

(c) In the prior year, the Group entered into a sale and purchase transaction to acquire a 50% equity interest of an associate at a total consideration of HK$29,380,000, of which HK$6,880,000 was not yet settled as at 31 March 2008.

(d) During the year, interest income from a convertible note receivable of HK$2,583,000 was not yet settled as at the balance sheet date.

38. CONTINGENT LIABILITIES

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given in respect of facilities granted to subsidiaries	**–**	–	**1,121,142**	1,374,121

As at 31 March 2009, 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$308,949,000 (2008: HK$429,585,000).

39. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**1,272**	529
In the second to fifth years, inclusive	**1,337**	55
	2,609	584

At 31 March 2009, the Company had no operating lease arrangements (2008: Nil).

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Investment property	**8,610**	15,009
Motor vehicle	**–**	2,731
	8,610	17,740
Authorised, but not provided for:		
Capital contribution payable to a subsidiary	**–**	10,000
Investment in an available-for-sale investment	**–**	1,560
	–	11,560
Contracted, but not provided for:		
Capital contribution payable to an associate	**–**	6,880

At the balance sheet date, the Company did not have any capital commitments (2008: Nil).

41. 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	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Associates:			
Sale of products	*(i)*	**9,370**	–
Management fee income	*(ii)*	**3,171**	–
Handling charges	*(iii)*	**193**	–
Jointly-controlled entity:*			
Purchases of products	*(iv)*	**–**	1,981
Management fee income	*(v)*	**–**	300
Related company:			
Sale of products	*(vi)*	**688**	374
Purchases of products	*(vii)*	**476**	1,958
Management fee income	*(viii)*	**240**	60
Subcontracting fee	*(ix)*	**4,011**	6,005

* In the prior year, the Group had proportionately consolidated 50% of the transactions with its jointly-controlled entity in its consolidated income statement for the period from 1 April 2007 to 30 January 2008, being the date of disposal of the jointly-controlled entity.

Notes:

(i) The sales to an associate were made according to the cost of products.

(ii) The management fee income was charged at a monthly rate of HK$80,000 from August 2008 to March 2009 and additional fees with reference to the actual staff costs incurred.

(iii) The handling charges arose from the purchase of products for an associate arranged by subsidiaries, which in return received a handling income based on 2% of the transaction value (2008: Nil).

41. RELATED PARTY TRANSACTIONS *(continued)*

(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: *(continued)*

Notes: (continued)

(iv) 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.

(v) In the prior year, the management fee income was charged at HK$30,000 per month from April 2007 to January 2008.

(vi) The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

(vii) The purchases from the related company were made according to the published prices and conditions offered by the related company to its major customers.

(viii) The management fee income was charged at HK$30,000 per month from April 2008 to November 2008. In the prior year, the management fee income was charged at HK$30,000 per month for February 2008 and March 2008.

(ix) The subcontracting fee was made according to the published prices and conditions offered by the related company to its major customers.

(b) 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.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009 **Group**

Financial assets

	Notes	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from associates	17	11,014	–	–	11,014
Available-for-sale investments	18	–	–	19,818	19,818
Convertible note receivable – loan portion	19	25,301	–	–	25,301
Deposit for an investment property	20	11,864	–	–	11,864
Trade and bills receivables	22	215,006	–	–	215,006
Financial assets included in prepayments, deposits and other receivables	23	8,515	–	–	8,515
Equity investments at fair value through profit or loss	24	–	72,392	–	72,392
Cash and cash equivalents	25	146,329	–	–	146,329
		418,029	72,392	19,818	510,239

Financial liabilities

	Notes	Financial liabilities at amortised cost HK$'000
Trade payables	26	119,859
Due to a related company	27	589
Interest-bearing bank borrowings	28	308,949
Finance lease payables	29	309
		429,706

42. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2008 **Group**

Financial assets

	Notes	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from associates	*17*	200	–	–	200
Available-for-sale investments	*18*	–	–	18,262	18,262
Convertible note receivable – loan portion	*19*	22,718	–	–	22,718
Trade and bills receivables	*22*	255,197	–	–	255,197
Financial assets included in prepayments, deposits and other receivables	*23*	17,596	–	–	17,596
Equity investments at fair value through profit or loss	*24*	–	174,370	–	174,370
Cash and cash equivalents	*25*	121,408	–	–	121,408
		417,119	174,370	18,262	609,751

Financial liabilities

	Notes	Financial liabilities at amortised cost
		HK$'000
Trade payables	*26*	112,287
Due to a related company	*27*	1,458
Interest-bearing bank borrowings	*28*	436,385
Finance lease payables	*29*	639
		550,769

42. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Financial assets

		Company	
		2009	2008
		Loans and receivables	Loans and receivables
	Notes	***HK$'000***	*HK$'000*
Due from subsidiaries	*16*	**279,077**	271,561
Cash and bank balances	*25*	**623**	18,183
		279,700	289,744

Financial liabilities

		Financial liabilities at amortised cost	Financial liabilities at amortised cost
		HK$'000	*HK$'000*
Due to subsidiaries	*16*	**29,658**	30,531

43. 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 and bills 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 interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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

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.

The Group's funding policy uses short term interest-bearing debts to finance its working capital requirements and interest-bearing debts over one year or internal generated resources to finance its capital investments. The Group borrows mainly at floating interest rates and the use of fixed rate interest-bearing debts over one year will only be considered for capital investments and favourable market conditions.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
		HK$'000	*HK$'000*
2009			
Hong Kong dollar	10	309	309
Hong Kong dollar	(10)	(309)	(309)

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		HK$'000	*HK$'000*
2008			
Hong Kong dollar	10	(437)	(437)
Hong Kong dollar	(10)	437	437

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

Foreign currency risk

The Group has no significant foreign currency risk because its business is principally conducted in Hong Kong. Since the Hong Kong Dollar is pegged with the United States Dollar, the Group's exposure to foreign currency risk is considered to be minimal.

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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and convertible note receivable, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 38 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 22 to the financial statements.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	2009			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note 26)*	119,859	–	–	119,859
Due to a related company	589	–	–	589
Interest-bearing bank borrowings	303,939	2,377	2,837	309,153
Finance lease payables	236	115	8	359
	424,623	2,492	2,845	429,960

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

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows: *(continued)*

Group

	2008			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note 26)*	112,287	–	–	112,287
Due to a related company	1,458	–	–	1,458
Interest-bearing bank borrowings	429,071	2,528	5,910	437,509
Finance lease payables	353	258	135	746
	543,169	2,786	6,045	552,000

Company

	2009	2008
	Within 1 year or on demand	Within 1 year or on demand
	HK$'000	*HK$'000*
Due to subsidiaries	**29,658**	30,531

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain capital requirements set out in the bank lending facilities. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 31 March 2008.

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

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio less than 75%. Net debt includes interest-bearing bank borrowings and finance lease payables, less cash and cash equivalents and equity investments at fair value through profit or loss. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**308,949**	436,385
Finance lease payables	**309**	639
Less: Cash and cash equivalents	**(146,329)**	(121,408)
Less: Equity investments at fair value through profit or loss	**(72,392)**	(174,370)
Net debt	**90,537**	141,246
Total capital	**276,692**	352,076
Gearing ratio	**33%**	40%

44. POST BALANCE SHEET EVENT

Subsequent to balance sheet date, on 1 June 2009, the Group accepted a convertible note with a principal amount of US$3,000,000, which was issued by a private company in consideration for the delivery of the convertible note held by the Group as at balance sheet date for cancellation (note 19). The convertible note conferred rights to the Group to convert the whole or part of the outstanding principal amount into shares of the private company at a conversion price of US$0.6 per share, bearing interests at a rate of 12% per annum and can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date on 30 November 2010. Further details of this transaction were set out in the announcement of the Company dated 2 June 2009.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2009.