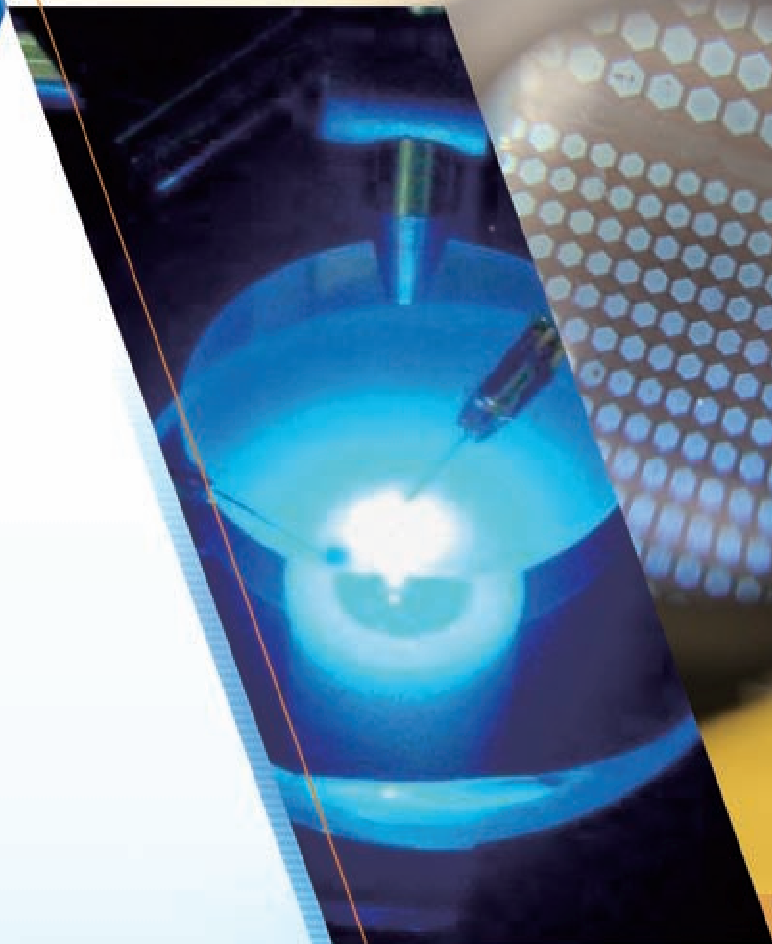


ANNUAL REPORT 2010

AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 595

CONTENTS

FINANCIAL HIGHLIGHTS

	2010 **HK$'million**	2009 HK$'million	2008 HK$'million	2007 HK$'million	2006 HK$'million
Revenue					
– Marketing and distribution	**2,389.3**	1,958.4	2,845.1	3,055.0	2,178.9
– Product design and development	**68.4**	54.9	63.5	30.9	177.1
– Jointly-controlled entity	**–**	–	15.4	13.9	96.2
	2,457.7	2,013.3	2,924.0	3,099.8	2,452.2
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items					
– Corporate	**17.7**	(71.6)	(2.6)	24.8	4.2
– Marketing and distribution	**46.6**	26.0	27.0	47.1	47.4
– Product design and development	**(0.6)**	(1.0)	1.5	(16.6)	(51.3)
– Jointly-controlled entity	**–**	–	(2.7)	(4.4)	(3.6)
– Gain on disposal of an available-for-sale investment	**–**	–	–	–	37.5
	63.7	(46.6)	23.2	50.9	34.2
Depreciation, amortisation and non-cash items	**(4.9)**	(4.9)	4.3	(91.9)	1.0
Profit/(loss) for the year					
– Equity holders of the Company	**77.0**	(66.3)	4.3	(69.9)	10.5
– Minority interests	**–**	–	–	–	(2.2)
	77.0	(66.3)	4.3	(69.9)	8.3
Dividends					
– Interim	**14.0**	–	8.6	–	–
– Proposed final	**20.9**	–	4.2	–	8.1
	34.9	–	12.8	–	8.1
Earnings/(loss) per share (HK cents)	**17.8**	(16.0)	1.0	(17.3)	2.6
Dividends per share (HK cents)					
– Interim	**3.0**	–	2.0	–	–
– Proposed final	**4.0**	–	1.0	–	2.0
	7.0	–	3.0	–	2.0

FINANCIAL HIGHLIGHTS

	2010	2009	2008	2007	2006
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Total assets	**871.2**	765.2	971.8	939.7	969.5
Total assets less current liabilities	**388.7**	282.0	360.1	358.0	432.7
Total equity	**381.1**	276.7	352.1	345.4	417.1
Bank debts	**369.1**	309.3	437.0	414.8	394.2
Cash and cash equivalents	**151.8**	146.3	121.4	139.2	164.9
Equity investments at fair value through profit or loss	**104.8**	72.4	174.4	201.1	138.3
Cash and cash equivalents and equity investments	**256.6**	218.7	295.8	340.3	303.2
Net debt	**112.5**	90.6	141.2	74.5	91.0
Net debt to total equity (%)	**30%**	33%	40%	22%	22%
Current assets to current liabilities (%)	**129%**	130%	136%	144%	150%
Cash and cash equivalents and equity investments per share (HK$)	**0.33**	0.53	0.71	0.84	0.75
Total equity per share (HK$)	**0.82**	0.67	0.85	0.85	1.03
Revenue to property, plant and equipment (x)	**36.0**	29.8	41.4	36.6	26.1
Revenue to inventories (x)	**23.1**	12.8	11.6	13.1	12.2
Revenue to trade receivables (x)	**11.7**	9.4	11.5	14.0	9.1
Revenue to trade payables and accrued expenses (x)	**24.7**	14.8	20.3	23.2	21.2
Revenue to bank debts (x)	**6.7**	6.5	6.7	7.5	6.2

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Hon. 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
Citic Bank International Limited
DBS Bank (Hong Kong) 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

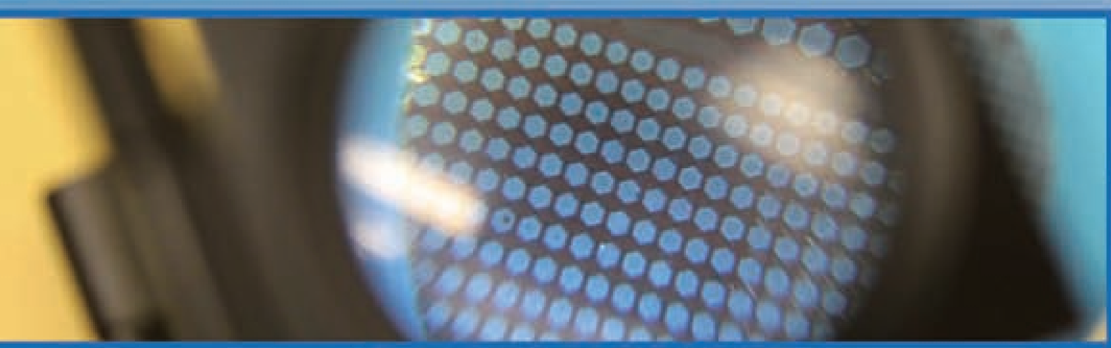
www.avconcept.com

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 am delighted to present the remarkable annual results of AV Concept Holdings Limited ("AV Concept" or the "Company" and together with its subsidiaries, the "Group") for the year ended 31 March 2010.

Battered by the financial crisis that commenced in late 2008, the performance of many companies retarded obviously. With the concerted effort of various governments' economic stimulus measures, the world economy rebounded quickly, benefiting different industries, particularly the consumer electronics segment. Capitalising on more favourable business environment and rejuvenated by market demand, our determined and professional workforce helped the Group realise a turnaround that was underscored by significant growth in profit.

The Group performed well in its Marketing and Distribution Business, increasing segmental revenue by 22% to HK$2,389.3 million. Gross profit margin for the segment climbed from 4.6% to 5.0% due to a different product mix that commanded higher margin. Having restructured the product portfolio and streamlined operations, we are also pleased to bottom out the operating loss status of the Design and Development Business by maintaining the level similar to last year's. Following a strong recovery in the global financial markets in 2009, the Group also recognised a significant increase in fair value on equity investments during the year under review. We maintain a positive view that the segmental results will improve in the near term, benefited by continuing and far-sighted business strategies.

Looking ahead, the Group sees a bright future for light emitting-diode ("LED") as it is increasingly used in a wide array of applications, including lighting, notebook computers, mobile phones, and in particular, LCD TVs. TVs featuring LED backlighting is about a third thinner than those lit by traditional cold cathode fluorescent lamps yet boast longer lifespan. Moreover, LED backlit TVs offer more vivid images with greater contrast and colour range. Expectedly, such technology is quickly penetrating the TV market. According to research firm iSuppli, it forecasted LCD-TV LED revenue will increase by nearly nine folds to US$1.4 billion in 2012, up from US$163 million in 2009. Going forward, the entire market will shift to LEDs, which is the best television technology available thus far.

Our perceptive management team steered the Group towards this high growth LED TV market back in 2007 by acquiring the share capital of Wavesquare Inc. ("Wavesquare"), which specialises in high brightness LED chip technologies. The Group has further increased its stake to 26.26% in May 2010 and are prepared to ramp up mass production in the third quarter of 2010 to seize ample business opportunities presented by the thriving LED backlight TV and LED lighting markets. The strategic investment in Wavesquare is expected to bear fruit in the next financial year.

CHAIRMAN'S STATEMENT

Yet another technology that is anticipated to have a major impact on the consumer electronics scene is 3D TV. Already, major Korean and Japanese TV makers are planning to launch 3D TVs on the market starting from this year. According to Insight Media, a market research agency that specialises in the display industry, the global 3D TV market is projected to grow from 6.4 million units in 2010 to 18 million units by 2012, representing a CAGR of approximately 68%. Together with the booming 3D contents market led by the movie Avatar, as well as increasing popularity of 3D related video games, the 3D TV market presents enormous business potential not just for TV makers, but other industry players along the peripheral products chain. With this in mind, in March 2010 the Group acquired 20% stake in Accupix Co., Ltd. ("ACCUPIX") which is a specialist in designing and providing solutions for 3D TV LCD shutter glasses. A pioneer in 3D TV shutter glasses technology, ACCUPIX's solutions are adaptable to most TV brands. AV Concept will distribute ACCUPIX's 3D shutter glasses globally using its own brand name, and will be launched through retail channels as well. ACCUPIX's advanced technological know-how and readiness to tap the lucrative 3D TV market will complement the Group's effort to turn this latest product into a new growth driver in the year ahead.

Remarkably, the Group entered into placing and subscription agreements with recognised institutional investors in November 2009 and April 2010 (post-year end) respectively to strengthen its shareholder base and capital structure, thus underpinning its growth momentum. FY2010 was the year that not only signifying our business' return to a path of growth but also the welcoming on board of more professional, reputable and resourceful institutional investors.

Acknowledgment

I would like to take this opportunity to extend my sincere gratitude to the Board and the management team for their unfailing efforts over the past years, particularly during the recently gloomy business environment. I also wish to offer my appreciation to our staff for their unwavering support and loyalty, working as a cohesive force for the benefit of the Group. By following through with the strategic path that we have mapped out and implementing prudent business plans, we are confident in the Group's ability to achieve future success and deliver handsome returns to our shareholders.

So Yuk Kwan
Chairman

Hong Kong
21 June 2010

Management
Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

The following sets out the financial highlights for the year ended 31 March 2010, with the comparative figures for the corresponding financial year of 2009.

	2010 HK$'million	2009 HK$'million
Revenue		
Marketing and distribution	**2,389.3**	1,958.4
Product design and development	**68.4**	54.9
	2,457.7	2,013.3
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**17.7**	(71.6)
Marketing and distribution	**46.6**	26.0
Product design and development	**(0.6)**	(1.0)
	63.7	(46.6)
Depreciation, amortisation and non-cash items		
Corporate	**(0.8)**	(0.6)
Marketing and distribution	**(4.0)**	(4.2)
Product design and development	**(0.1)**	(0.1)
	(4.9)	(4.9)
Profit/(loss) before interest and tax	**58.8**	(51.5)
Interest expenses	**(8.7)**	(11.7)
Profit/(loss) before tax	**50.1**	(63.2)
Income tax	**26.9**	(3.1)
Profit/(loss) for the year	**77.0**	(66.3)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2010, the Group's turnover increased by 22% to HK$2,457.7 million, up from HK$2,013.3 million in 2009. The Group achieved positive EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) of HK$63.7 million for the year as compared to a loss of HK$46.6 million last year. The significant improvement in performance was mainly due to the Group's ability to capture strong domestic demand in the PRC market as well as its successful efforts to control costs.

Affected by the financial crisis that erupted in September 2008, economies around the world were faced with the threat of recession in the first half of 2009. Consumer confidence and demand for consumer electronics duly plummeted. Through swift response by the world's governments via economic stimulus policies, market sentiment started to stabilise and improve from the third quarter of 2009, especially in the PRC, which was one of the first countries to rebound.

Promptly responding to the reviving economic situation, the Group actively developed its business to capture rising market demand during the year. The Group's results were boosted by an overall improvement in operations together with an increase in the fair value on equity investments. Proving that it had managed to turn the corner, the Group achieved profitability with net profit HK$77.0 million during the year under review (2009: a net loss of HK$66.3 million).

Marketing and Distribution Business

For the year ended 31 March 2010, turnover of this business segment increased by 22% to HK$2,389.3 million (2009: HK$1,958.4 million). During the year, the demand for flash memory products was slow, hindered by the US economy which was still reeling from the financial downturn. Consequently, many less competitive distributors exited from the market. Leveraging its long-term relationship with leading global electronic manufacturers, including Samsung Electronics, Fairchild and other top suppliers, the Group was able to take advantage of market consolidation to strengthen its position, gaining greater market share.

During the year, the Group continuously sought to broaden its distribution network, diversify its product mix and expand its customer base. By implementing stringent cost control measures and timely turn of sales, profit margin slightly improved from 4.6% to 5.0%, even amidst uncertain economic conditions. EBITDA for this segment increased to HK$46.6 million (2009: HK$26.0 million) given the product price trend was relatively stable.

In order to further expand its memory distribution business, the Group has entered into a shareholders agreement with Good Profit HK Group Limited, a wholly-owned subsidiary of Protech Components Limited, a major electronic components distributor that operates in the Hong Kong and PRC markets, to set up an associate of the Group. The associate, known as United Benefits Limited will operate a memory distribution business, offering such products as solid-state drives (SSDs). Both the Group and Protech boast solid market experience in the memory distribution industry and have long-term relationships with global electronic manufacturers. The associate is expected to capture greater market share and enjoy optimum synergies.

The Group entered the high brightness LED wafer business after acquiring 17.02% equity interest in the Korea-based company Wavesquare Inc. ("Wavesquare"). The Group has been the sole distributor of all Wavesquare's products in Mainland China, as well as Hong Kong, Macau and Taiwan. During the year, Wavesquare completed development of an LED wafer but the associated venture remained in the investment stage. However, it has already secured orders for developed products.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

In early 2010, Wavesquare won the Minister of Knowledge and Economy Award of the first National Green Tech Awards, presented by the Korean Government. The aim of the Awards is to honour and encourage electronics companies to develop green technology. Wavesquare was the only company in the LED industry to make the list of recipients, highlighting its technological prowess.

Separately, the Group entered into a joint venture agreement with Mr. Lee Jeong Kwan, the former Vice Chairman and Executive Director, subsequently creating FLEX Technology Limited. The company will principally engage in the distribution of LED for display backlight modules. As the venture complements the Group's close working relationship with key electronic manufacturers such as Samsung Electronics which stretches back over 20 years, it has already developed rapidly. Commencing distribution in September 2009, FLEX Technology Limited has become the first and only distributor of LED for display backlight modules to Samsung for its TV screens and computer monitors in China. The company has received a satisfactory amount of orders and started contributing income to the Group during the year.

In view of the LED business' tremendous growth potential, the Group entered into placing and subscription agreements on 3 November 2009. The subscription, which amounts to approximately 46 million shares at HK$0.681 per share, raising approximately HK$31.21 million, will be used to support business growth. The placees included Value Partners Limited, Fuh Hwa SITE Asset Management (Hong Kong) Limited and other recognised institutional and individual investors, thus highlighting the investment community's confidence in the Group's development.

In terms of geographical distribution, Hong Kong and the PRC remains the focus of the Group's distribution business. The Group's business also covers other countries in the Asia Pacific, including Singapore and Korea where economies are fast growing. Worth noting, the Group successfully penetrated into the Indian market with the delivery of traditional components.

Product Design and Development Business

During the year, the global economy, which includes the Group's major market, North America, started to stabilise and rebound from the financial turmoil. Being one of the world's largest suppliers of low-vision-aid electronics products, the Group sought to capitalise on this recovery, doubling its sales effort as well as stringent cost control measures, which were subsequently rewarded with satisfactory results. Turnover rose 24.6% to HK$68.4 million, up from HK$54.9 million in 2009. This segment managed to lower negative EBITDA to HK$0.6 million (2009: negative EBITDA: HK$1.0 million).

During the year under review, the Group expanded into the 3D TV glasses market by entering into a share subscription agreement on 15 March 2010. Pursuant to the agreement, the Group will subscribe to 730,000 new shares, representing 20% of the enlarged issued shares of Accupix Co., Ltd. ("Accupix") with a total consideration of US$3.6 million (equivalent to approximately HK$27.9 million). Accupix is a pioneer in 3D TV shutter glasses technology and has commenced production of 3D TV shutter glasses since February 2010. It supplies the respective technology to Samsung and two other leading electronics brands in Japan. It also signed a supply agreement with LG-Electronics ("LGE") in late 2009, becoming the exclusive manufacturer of 3D shutter glasses for LGE's 3D TVs. This strategic investment allows the Group to enhance its portfolio of consumer electronic products and tap the huge potential of the 3D TV market.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

With over three decades worth of experience, AV Concept has established a strong and solid foundation in the fast-changing electronics industry. The Group has established an extensive sales and distribution network, built close ties with key electronics manufacturers and created strong business partnership. In addition, the Group now possess advanced technological know-how and a diversified product portfolio. Armed with these competitive advantages, the dedicated and experienced management team not only helped lead the Group through the global financial crisis, but also strengthen its leading position in the consumer electronics market.

Looking ahead, overall investment and consumer sentiment is improving and the effects of the financial downturn are gradually diminishing. The Group will continue to control costs, expand its customer base and diversify the distribution product mix to protect business margin. The Group will also explore the high growth electronic components market to maintain business growth.

Supported by the efforts of the world's governments, especially the PRC and Korea, in promoting environmentalism and development of industries involved in energy conservation, the Group is confident about the prospects and business potential of its high brightness LED business.

To further promote long-term growth of its LED business, the Group entered into a placing agreement on 28 April 2010 for the issuing of up to 57 million shares at a price of HK$1.05 per share to raise approximately HK$59.85 million. The placees, namely Och Ziff Capital Management and Kingsway Financial Service Group, will each subscribe to 28.5 million placing shares, representing 5.445% of the enlarged issued share capital of AV Concept.

With the available proceeds, on 31 May 2010 the Group further announced that it was entering into a share subscription agreement for 370,796 new shares of Wavesquare at the subscription price of US$4 million (equivalent to approximately HK$31.2 million), and a further 302,341 new shares at the subscription price of US$3,261,540 (equivalent to approximately HK$25.4 million). In addition, the Group entered into a share purchase agreement for 77,602 existing shares in Wavesquare at the consideration of US$875,000 (equivalent to approximately HK$6.83 million). Upon completion of the aforementioned agreements, the Group's share of equity interest in Wavesquare will increase from 17.02% to approximately 26.26%.

Wavesquare is now entering into the final stage of trial production for leading electronics brands, including Samsung Electronics and LG-Electronics. It expects to ramp up production in the second or third quarter of 2010. Wavesquare also plans future expansion of its production capacity on top of three existing production lines. Being the sole distributor of its products in Mainland China, as well as Hong Kong, Macau and Taiwan, the Group is optimistic about potential revenue contributions derived from this business in coming years, and its ability to boost business growth in the long term.

The Group is optimistic about the development of another growth driver, the distribution of LED for display backlight modules via the joint venture company, FLEX Technology Limited. Major Korean and Japanese TV makers are planning to launch 3D TVs on the market starting this year, following in the footsteps of Samsung. Spurred by a surge in supply of 3D content from the movie and game industries, the Group anticipates 3D TV to be the next big trend and will be poised to capture tremendous opportunities that arise.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

The rise of 3D TVs present yet another fresh opportunity for the Group. Specifically, the new 3D shutter glasses business is expected to be the Group's growth driver for this year. Orders for Accupix's 3D shutter glasses from TV manufacturers are expected to increase substantially, mirroring the growth of the market. The Group will further engage in designing and developing the 3D shutter glasses that are adaptable to most TV brands. With the global distribution rights (ex-Korea) for Accupix's 3D shutter glasses, the Group will distribute the universal 3D shutter glasses globally using its own "SOUL" brand, focusing initially on the US and the PRC markets, which will be launched via retail channels soon riding on its established sales network. The Group believes such universal 3D shutter glasses will serve to capture the huge potential in the peripheral market and its higher margin will enhance the profitability of the Group.

The Group extends foothold into upstream markets through the strategic investments of Wavesquare and Accupix, it enables the Group to obtain exclusive distribution right of their products that are with favourable margin and huge growth potential. Together with the Group's well-established sales and distribution network, the Group is positive towards the sustainability of long term business development and growth.

With the new associate company United Benefits Limited, the Group also targets to tap the growing SSD market. SSD application is expected to gradually extend to personal computers and netbooks, leading to significant growth ahead.

Going forward, the Group will continue to look for opportunities to diversify its product mix and thus become a one-stop service platform that is fully capable of meeting customers' diverse needs. The Group will grasp suitable opportunities for the design and development business in the fast-changing electronics market. As well, it will look for green tech and LED related business opportunities, thereby enhancing shareholder value in coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 31 March 2010 and the corresponding gearing ratio are shown as follows:

	2010	2009
	HK$'million	HK$'million
Bank debts	**369.1**	309.3
Cash and cash equivalents	**151.8**	146.3
Equity investments at fair value through profit or loss	**104.8**	72.4
Cash and cash equivalents and equity investments	**256.6**	218.7
Net debt	**112.5**	90.6
Total equity	**381.1**	276.7
Net debt to total equity	**30%**	33%

As at 31 March 2010, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK$151.8 million (2009: HK$146.3 million), while the Group's equity investments at fair value through profit or loss amounted to HK$104.8 million (2009: HK$72.4 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 2010 was 30% (2009: 33%), while the Group's total equity as at 31 March 2010 was HK$381.1 million (2009: HK$276.7 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2010 of HK$256.6 million (2009: HK$218.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (continued)

The reconciliation and analysis of change in net debt for the financial year of 2010 and 2009 are set out below.

	2010 **HK$'million**	2009 HK$'million
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items	**63.7**	(46.6)
Proceeds from issue of shares	**35.2**	–
Investment in a jointly controlled entity	**(16.0)**	–
Investments in associates	**(2.5)**	(1.2)
Interest paid	**(8.7)**	(11.7)
Change in working capital	**(19.1)**	109.0
Purchase of available-for-sale investment	**(30.0)**	(1.6)
Deposit for purchase of a available-for-sale investment	**(17.1)**	–
Repurchase of shares	**–**	(0.5)
Hong Kong profits tax refunded/(paid)	**(6.8)**	2.6
Net capital expenditure	**(13.6)**	(4.4)
Others	**7.0**	9.2
Decrease/(increase) in net debt before dividend paid	**(7.9)**	54.8
Dividend paid	**(14.0)**	(4.2)
Decrease/(increase) in net debt:	**(21.9)**	50.6
Analysis of change in net debt:		
Net debt at beginning of year	**90.6**	141.2
Change in net debt	**21.9**	(50.6)
Net debt at end of year	**112.5**	90.6

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (continued)

The working capital position of the Group remains healthy. As at 31 March 2010, the liquidity ratio was 129% (2009: 130%).

	2010	2009
	HK$'million	HK$'million
Current assets	**621.3**	626.2
Current liabilities	**(482.5)**	(483.3)
Net current assets	**138.8**	142.9
Current assets to current liabilities (%)	**129%**	130%

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.

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 39 to the financial statements.

EMPLOYEES

As at 31 March 2010, the Group employed a total of approximately 183 (2009: approximately 161) 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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Hon. 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. Dr. So has over 34 years' experience in the electronics industry. Dr. So holds an honorary degree, Doctor of Philosophy in Business Administration from the International American University and 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 the Chairman of both of the External Affairs Sub-Committee and HKEIA Education Fund of The Hong Kong Electronic Industries Association. Dr. So is also the Vice President of The Hong Kong Semiconductor Industry Council. Further, Dr. 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. Recently, Dr. So has received Glorious Chinese 2009 from Glorious China Association in 2010. Dr. Hon. So Yuk Kwan is the father of Mr. So Chi On.

Mr. So Chi On, aged 33, is the Chief Executive Officer responsible for the overall strategic corporate development and operation of the Group. 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 Dr. Hon. So Yuk Kwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hon. Lui Ming Wah, *SBS, JP,* aged 72, 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 61, 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 33, has been an Independent Non-executive Director of the Company since September 2004. Mr. Wong is the Senior Vice President, Mergers and Acquisitions of a Hong Kong listed property company. Mr. Wong holds a Bachelor Degree in Accounting, Finance and Economics from the University of Wisconsin Madison.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 15 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 46, 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 21 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.

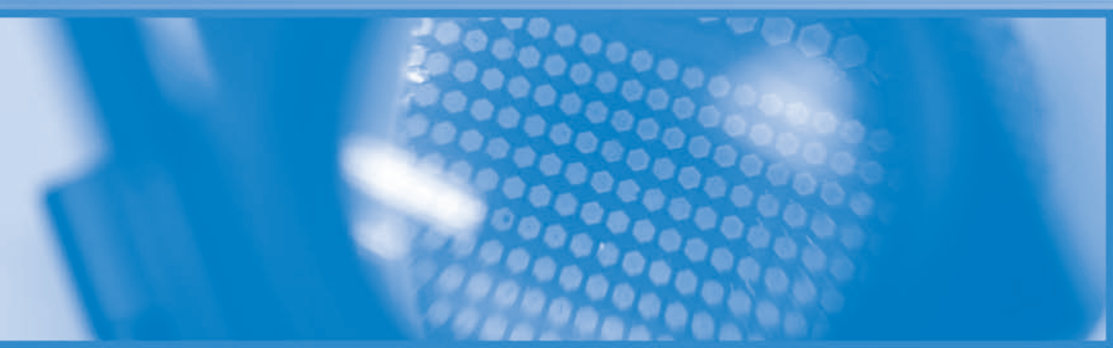
Mr. Kweon Jong Keun, aged 46 is the President of AV Concept Limited, a subsidiary of the Company. He joined the Group in 2006 and has over 21 years experience in Sales and Marketing. Prior to joining the Group, Mr. Kweon was the Managing Director and President of Gencore Co., Ltd., the Senior Marketing 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 20 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. Giovanni D. Gapasin, aged 43, is the President of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Gapasin joined the Group in 2003 and has over 20 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 49, is the Materials Director of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Tsang joined the Group in 2005 and has over 26 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 2010.

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 product design, development and sale of electronic products.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 36 to 120 of this annual report.

An interim dividend of HK3 cents per ordinary share was paid on 17 December 2009. The directors recommended the payment of final dividend of HK4 cents per ordinary share in respect of the year to shareholders on the register of members on 27 July 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

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 35 and 36 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 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2010, the Company's reserves available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to approximately HK$13,494,000. In addition, the Company's share premium account, in the amount of approximately HK$191,298,000, may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

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				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,457,688**	2,013,299	2,924,054	3,099,846	2,452,230
PROFIT/(LOSS) BEFORE TAX	**50,158**	(63,182)	5,712	(62,159)	16,231
Tax	**26,859**	(3,127)	(1,460)	(7,722)	(7,891)
PROFIT/(LOSS) FOR THE YEAR	**77,017**	(66,309)	4,252	(69,881)	8,340
Attributable to:					
Owners of the Company	**77,017**	(66,309)	4,252	(69,881)	10,531
Minority interests	**–**	–	–	–	(2,191)
	77,017	(66,309)	4,252	(69,881)	8,340

ASSETS AND LIABILITIES

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**871,192**	765,231	971,781	939,711	969,460
TOTAL LIABILITIES	**(490,115)**	(488,539)	(619,705)	(594,283)	(552,344)
	381,077	276,692	352,076	345,428	417,116

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Dr. Hon. 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

On 16 July 2009, Mr. Lee Jeong Kwan resigned as the Vice Chairman and Executive Director of the Company.

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 17 to 19 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'S 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.

REPORT OF THE DIRECTORS

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

As at 31 March 2010, 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

Name of Director	**Capacity**	**Total interests in Number of Ordinary Shares of the Company**	**Approximately percentage of Shareholding**
Dr. Hon. So Yuk Kwan	Corporate Interest	261,916,189 *(Note 1)*	56.16%
Mr. So Chi On	Beneficial owner	4,180,000 *(Note 2)*	0.90%

Note:

1. This refers to the total number of ordinary shares were held by B.K.S. Company Limited ("BKS") and Jade Concept Limited ("Jade Concept"). Dr. Hon. So Yuk Kwan is deemed to be interested in 261,916,189 shares by virtue of his interests in B.K.S. and Jade Concept, the particulars are more fully described in the section headed "Interests and Short Positions of Shareholders" below.

2. This refers to Shares include (i) 3,500,000 share option and (ii) 680,000 Shares held by Mr. So Chi On.

(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 36 to the financial statements.

Save as disclosed above, as at 31 March 2010, 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 registered required to be maintained under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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 36 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 2010, 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	181,276,300 *(Note 1)*	38.87%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 *(Note 2)*	17.29%
Madam Yeung Kit Ling ("Madam Yeung")	Beneficial owner	261,916,189 *(Note 3)*	56.16%

Notes:

1. BKS is beneficially owned by Dr. Hon. So Yuk Kwan ("Dr. So"). By virtue of the SFO, Dr. So is deemed to be interested in 181,276,300 shares of the Company held by BKS.

2. Jade Concept is beneficially owned by Dr. So. By virtue of the SFO, Dr. 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 Dr. So, by virtue of the SFO, she is deemed to be interested in all shares of the Company in which Dr. So is interested.

Save as disclosed above, as at 31 March 2010, 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.

REPORT OF THE DIRECTORS

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 36 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounting to HK$134,000 (2009: HK$427,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 18% 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 41%.

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 the distribution of LED for display backlight modules. 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. On 31 March 2010, AVEGL and Mr. Lee Jeong Kwan entered into the Supplemental Agreement pursuant to which each of AVEGL and Mr. Lee has agreed to further contribute HK$15,000,000 to JVC.

The proposed registered capital of JVC of HK$32,000,000 was determined after arm's length negotiations between AVEGL and Mr. Lee Jeong Kwan with reference to the proposed capital requirement for the business of JVC.

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 and 8 April 2010.

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.

REPORT OF THE DIRECTORS

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 2010 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 28 to 32 of this annual report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 46 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
21 June 2010

Corporate
Governance Report

CORPORATE GOVERNANCE REPORT

The Group is committed to maintain a high standard of corporate governance and enhance its transparency and corporate value. The Group believes that good corporate governance provides a framework between the board and the shareholders so as to enhancing shareholders' interest and 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 2010, the Company has applied the major principles with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Further details of the Company's corporate governance practices will be described in the following sections.

BOARD OF DIRECTORS

The Board should assure responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

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 directed by leadership of the Executive Directors. To this end, the senior management has to implement, manage and monitor the business plans, internal controls and corporate governance practices developed by the Board.

Board Composition

As at 31 March 2010, the Board comprised two 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 of the Company.

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 of the Company.

CORPORATE GOVERNANCE REPORT

In accordance with Article 112 of the Articles of Association of the Company, Mr. Charles Edward Chapman will retire from the office by rotation and is being eligible to offer himself for re-election at the forthcoming annual general meeting. The Board has assessed the independence of Mr. Charles Edward Chapman who has been Independent Non-executive Director for ten years and considered Mr. Chapman 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 and responsibility.

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 determines that the Board is provided with direction and sufficient consultation for the Directors in effectively discharging their responsibilities for different aspects of the business.

The CEO, supported by senior management, are responsible for 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 Dr. Hon. 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	
Dr. Hon. So Yuk Kwan *(Chairman)*	4/4
Mr. Lee Jeong Kwan (Vice Chairman) (resigned on 16 July 2009)	0/4
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

CORPORATE GOVERNANCE REPORT

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

As at 31 March 2010, the Audit Committee comprises of three Independent Non-executive Directors, namely Dr. Hon. Lui Ming Wah, SBS, JP (the Chairman of the Audit Committee), Mr. Charles Edward Chapman and Mr. Wong Ka Kit.

In accordance with the terms of reference of the Audit Committee, the Audit Committee met at least twice a year to review the interim results and the final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants are the code provisions set out in Corporate Governance Code.

The principal duties of the Audit Committee include:

(i) to discuss with the external auditors before the audit commence, the nature and scope of the audit and confirm their independence and objectivity;

(ii) to review the Group's financial information before submission to the Board;

(iii) to review the Group's financial reporting system and the effectiveness of the audit process with internal control procedure; and

(iv) to review external auditors' management letter and the relationship with the Group.

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 2009 and the interim results for the six months ended 30 September 2009. 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 2010.

Remuneration Committee

As at 31 March 2010, the Remuneration Committee composes of three Independent Non-executive Directors. 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 managements and reviewing the specific remuneration packages of all Executive Directors and senior managements 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 2010.

CORPORATE GOVERNANCE REPORT

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out 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 2010.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors amounted to HK$1,598,000 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 33 to 35 of this report.

Independent

Auditors' Report

INDEPENDENT AUDITORS' REPORT

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安永

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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 36 to 120, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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 2010 and of the Group's profit 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.

Certified Public Accountants
Hong Kong
21 June 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**2,457,688**	2,013,299
Cost of sales		**(2,331,673)**	(1,910,280)
Gross profit		**126,015**	103,019
Other income and gains	5	**15,828**	11,625
Selling and distribution costs		**(28,913)**	(25,484)
Administrative expenses		**(72,122)**	(61,454)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		**39,918**	(60,716)
Fair value loss on a derivative financial instrument at fair value through profit or loss		**(6,698)**	–
Other expenses		**(17,202)**	(15,194)
Finance costs	7	**(8,721)**	(11,634)
Share of profits and losses of:			
a jointly-controlled entity		**1,061**	–
associates		**992**	(3,344)
PROFIT/(LOSS) BEFORE TAX	6	**50,158**	(63,182)
Income tax	10	**26,859**	(3,127)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**77,017**	(66,309)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**17.8 cents**	(16.0 cents)
Diluted		**17.7 cents**	N/A

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	2010	2009
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE YEAR	**77,017**	(66,309)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax	**3,938**	(4,447)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**80,955**	(70,756)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**68,245**	67,644
Investment property	*15*	**22,679**	–
Other intangible assets	*16*	**1,567**	1,555
Interest in a jointly-controlled entity	*18*	**32,638**	–
Interests in associates	*19*	**61,781**	38,164
Available-for-sale investments	*20*	**45,924**	19,818
Deposit for an investment property	*21*	**–**	11,864
Other deposit	*25*	**17,050**	–
Total non-current assets		**249,884**	139,045
CURRENT ASSETS			
Convertible note receivable – loan portion	*22*	**22,516**	25,301
Inventories	*23*	**106,355**	157,694
Trade and bills receivables	*24*	**209,889**	215,006
Prepayments, deposits and other receivables	*25*	**20,130**	9,464
Due from a related company	*29*	**5,759**	–
Equity investments at fair value through profit or loss	*26*	**104,843**	72,392
Time deposits	*27*	**17,421**	49,765
Cash and bank balances	*27*	**134,395**	96,564
Total current assets		**621,308**	626,186
CURRENT LIABILITIES			
Trade payables and accrued expenses	*28*	**99,372**	135,621
Due to a related company	*29*	**–**	589
Interest-bearing bank borrowings	*30*	**368,116**	303,939
Finance lease payables	*31*	**224**	202
Tax payable		**9,154**	42,902
Financial guarantee obligation	*32*	**5,591**	–
Total current liabilities		**482,457**	483,253
NET CURRENT ASSETS		**138,851**	142,933

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

		2010	2009
	Notes	**HK$'000**	HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**388,735**	281,978
NON-CURRENT LIABILITIES			
Derivative financial instrument	*33*	**6,698**	–
Interest-bearing bank borrowings	*30*	**–**	5,010
Finance lease payables	*31*	**729**	107
Deferred tax liability	*34*	**231**	169
Total non-current liabilities		**7,658**	5,286
Net assets		**381,077**	276,692
EQUITY			
Issued capital	*35*	**46,636**	41,252
Reserves	*37(a)*	**313,507**	235,440
Proposed final dividends	*12*	**20,934**	–
Total equity		**381,077**	276,692

So Yuk Kwan
Director

So Chi On
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

	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 2008		41,499	161,038	15,531	1,114	4,664	124,080	4,150	352,076
Total comprehensive income 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
At 1 April 2009		41,252	160,807	15,778	1,114	217	57,524	–	276,692
Total comprehensive income for the year		–	–	–	–	3,938	77,017	–	80,955
Equity-settled share option arrangement		–	–	–	2,206	–	–	–	2,206
Exercise of share options		800	3,860	–	(660)	–	–	–	4,000
Placing of shares		4,584	26,631	–	–	–	–	–	31,215
Interim 2010 dividend	*12*	–	–	–	–	–	(13,991)	–	(13,991)
Proposed final 2010 dividend	*12*	–	–	–	–	–	(20,934)	20,934	–
At 31 March 2010		46,636	191,298*	15,778*	2,660*	4,155*	99,616*	20,934	381,077

Included in the balance of the capital reserve as at 31 March 2010 is a capital redemption reserve balance amounting to approximately HK$14,397,000 (2009: HK$14,397,000).

As at 31 March 2010, there was goodwill of HK$12,470,000 (2009: 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 2010 of HK$313,507,000 (2009: HK$235,440,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**50,158**	(63,182)
Adjustments for:			
Finance costs	7	**8,721**	11,634
Share of profit of a jointly-controlled entity		**(1,061)**	–
Share of losses/(profits) of associates		**(992)**	3,344
Depreciation:			
Property, plant and equipment	6	**4,636**	4,946
Investment property	6	**309**	–
Amortisation of other intangible assets	6	**39**	36
Impairment/(reversal of impairment) of trade receivables	6	**(208)**	2,613
Impairment/(reversal of impairment) of slow moving inventories	6	**(5,948)**	2,726
Impairment/(reversal of impairment) of items of property, plant and equipment	6	**(366)**	336
Gain on disposal of items of property, plant and equipment	6	**(329)**	(5)
Impairment of an other receivable	6	**–**	3,562
Impairment of an available-for-sale investment	6	**3,921**	–
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	6	**(39,918)**	60,716
Fair value loss on a derivative financial instrument at fair value through profit or loss	6	**6,698**	–
Equity-settled share option expense	6	**2,206**	–
Interest income from a convertible note receivable	6	**(1,710)**	(2,583)
Interest income from debt securities	6	**(724)**	–
Dividend income from listed investments	6	**(615)**	(1,359)
Bank interest income	6	**(297)**	(477)
		24,520	22,307
Increase in amounts due from associates		**(18,863)**	(10,814)
Increase in an amount due from a jointly-controlled entity		**(11,248)**	–
Decrease in inventories		**58,224**	89,258
Decrease in trade and bills receivables		**6,911**	32,583
Decrease/(increase) in prepayments, deposits and other receivables		**(10,535)**	5,180
Decrease in trade payables and accrued expenses		**(37,275)**	(6,337)
Movement in balance with a related company		**(6,348)**	(869)
Cash generated from operations		**5,386**	131,308
Hong Kong profits tax refunded/(paid)		**(6,827)**	2,638
Net cash flows from/(used in) operating activities – page 42		**(1,441)**	133,946

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows from/(used in) operating activities – page 41		**(1,441)**	133,946
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income received		**297**	477
Interest income from a convertible note received		**1,710**	–
Interest income from debt securities received		**724**	–
Dividend received		**615**	1,359
Purchases of items of property, plant and equipment		**(3,593)**	(4,381)
Proceeds from disposal of items of property, plant and equipment		**675**	1,143
Additions to an investment property		**(10,050)**	(5,118)
Decrease in convertible note receivable – loan portion		**2,785**	–
Investment in a jointly-controlled entity		**(16,000)**	–
Investments in associates		**(2,500)**	(1,149)
Purchase of available-for-sale investment		**(30,027)**	(1,556)
Deposit for purchase of an available-for-sale investment		**(17,050)**	–
Disposal of equity investments at fair value through profit or loss		**7,467**	41,262
Net cash flows from/(used in) investing activities		**(64,947)**	32,037
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*35*	**35,215**	–
Repurchase of shares	*35*	**–**	(478)
Increase in discounted bills		**1,244**	3,368
Increase in unsecured bank loan		**18,904**	28,209
Repayment of bank loan		**(7,314)**	(2,304)
Net increase/(decrease) in import and trust receipt loans		**44,367**	(152,780)
Capital element of finance lease rental payments		**(264)**	(275)
Interest paid		**(8,652)**	(11,587)
Interest element on finance lease rental payments		**(69)**	(47)
Dividend paid		**(13,991)**	(4,150)
Net cash flows from/(used in) financing activities		**69,440**	(140,044)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,052**	25,939
Cash and cash equivalents at beginning of year		**146,329**	121,408
Effect of foreign exchange rate changes, net		**1,833**	(1,018)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**151,214**	146,329

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**134,395**	96,564
Non-pledged time deposits with original maturity of less than three months when acquired	*27*	**17,421**	49,765
Cash and cash equivalents as stated in the statement of financial position		**151,816**	146,329
Bank overdrafts	*30*	**(602)**	–
Cash and cash equivalents as stated in the statement of cash flows		**151,214**	146,329

STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**29**	–
Interests in subsidiaries	17	**298,489**	269,025
Total non-current assets		**298,518**	269,025
CURRENT ASSETS			
Prepayments	25	**5**	68
Cash and bank balances	27	**570**	623
Total current assets		**575**	691
CURRENT LIABILITIES			
Accrued expenses	28	**2,688**	1,138
Tax payable		**6,986**	39,358
Total current liabilities		**9,674**	40,496
NET CURRENT LIABILITIES		**(9,099)**	(39,805)
Net assets		**289,419**	229,220
EQUITY			
Issued capital	35	**46,636**	41,252
Reserves	37(b)	**221,849**	187,968
Proposed final dividends	12	**20,934**	–
Total equity		**289,419**	229,220

So Yuk Kwan
Director

So Chi On
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. CORPORATE INFORMATION

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

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

- Marketing and distribution of electronic components; and
- Design, 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, derivative financial instrument and financial guarantee obligation 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 2010. 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of Information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendments*	Amendments to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
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*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of the HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

(a) Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 44 to the financial statements.

(b) HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.3 *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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs issued in October 2008*	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that 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 or 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

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

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

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

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

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 a jointly-controlled entity is stated in the consolidated statement of financial position 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 result and reserve of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in a 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of financial position 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.

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.

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 statement of financial position 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 in the consolidated statement of financial position.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Goodwill (continued)

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

An assessment is made at the end of each reporting period 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);

(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 the employees of the Group, or of any entity that is a related party to the Group.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property is an interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is stated at cost including transaction costs less accumulated depreciation and any impairment losses, and is depreciated on the straight-line basis to write off the cost of the property over its estimated useful life of 50 years.

The carrying value of an investment property is reviewed for impairment either annually, or whenever events or changes in circumstances indicate that the carrying values may not be recoverable, whichever is earlier. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investment property is written down to its recoverable amount. Impairment losses are recognised in the income statement. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of the investment property is reversed only if there has been a change in the estimates used to determine the recoverable amount of that investment property, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the investment property in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Intangible assets (other than goodwill) (continued)

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include amount due from associates, amount due from a jointly-controlled entity, convertible loan receivable, trade and bills receivables, deposits and other receivables, amount due from a related company, equity investments at fair value through profit or loss, time deposits and cash and bank balances.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are not classified as held for trading.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment revaluation reserve. 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.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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 the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, amount due to a related company, interest-bearing bank borrowings, finance lease payables and derivative financial instrument.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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 end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts (continued)

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.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 end of the reporting period 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 relating to items recognised outside profit or loss is recognised either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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 for grants after 7 November 2002 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 36 to the financial statements.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

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 end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

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 statement of financial positions, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 end of the reporting period. 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:

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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 end of the reporting period 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 the end of each reporting period 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 end of the reporting period, 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 the end of each reporting period. 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. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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 45 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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

Estimation uncertainty (continued)

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 2010, an impairment loss of HK$3,921,000 has been recognised for an available-for-sale investment (2009: Nil). The carrying amount of available-for-sale investments was HK$45,924,000 (2009: HK$19,818,000).

Impairment of deposits and other receivables

The Group's management determines the provision for impairment of deposits and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history and the current market conditions which requires the use of judgements and estimates. When the expectation on the recoverability of deposits and other receivables is different from the original estimates, such difference will impact the carrying value of deposits and other receivables and impairment provisions in the periods in which such estimate has been changed. Management assesses the provision at the end of each reporting date. The carrying amount of deposits and other receivables of the Group as at 31 March 2010 was HK$30,079,000 (2009: HK$8,515,000). More details are given in note 25 to the financial statements.

4. *OPERATING SEGMENT INFORMATION*

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, interest income from debt securities, interest income from a convertible note receivable, dividend income from listed investments, management fee income from associates, gain on disposal of items of property, plant and equipment, share of profits and losses of associates and a jointly-controlled entity, fair value gains/(losses) on equity investments at fair value through profit or loss, fair value loss on a derivative financial instrument at fair value through profit or loss, finance costs and unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted at costs.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

4. OPERATING SEGMENT INFORMATION (continued)

	Marketing and distribution	Product design and development	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 March 2010			
Segment revenue:			
Sales to external customers	2,389,284	68,404	2,457,688
Intersegment sales	15,528	2,838	18,366
	2,404,812	71,242	2,476,054
Reconciliation:			
Elimination of intersegment sales			(18,366)
Revenue			2,457,688
Segment results	40,976	(3,355)	37,621
Reconciliation:			
Bank interest income			297
Interest income from debt securities			724
Interest income from a convertible note receivable			1,710
Dividend income from listed investments			615
Management fee income from associates			8,571
Share of profit of a jointly-controlled entity			1,061
Share of profits and losses of associates			992
Fair value gains on equity investments at fair value through profit or loss, net			39,918
Fair value loss on a derivative financial instrument at fair value through profit or loss			(6,698)
Gain on disposal of items of property, plant and equipment			329
Unallocated expenses			(26,261)
Finance costs			(8,721)
Profit before tax			50,158
Other segment information:			
Depreciation	3,940	96	4,036
Unallocated depreciation			909
Amortisation of other intangible assets	33	6	39
Reversal of impairment of trade receivables	(208)	–	(208)
Capital expenditure	12,328	64	12,392
Unallocated capital expenditure			3,572

NOTES TO FINANCIAL STATEMENTS

31 March 2010

4. OPERATING SEGMENT INFORMATION (continued)

	Marketing and distribution	Product design and development	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 March 2009			
Segment revenue:			
Sales to external customers	1,958,404	54,895	2,013,299
Intersegment sales	12,054	235	12,289
	1,970,458	55,130	2,025,588
Reconciliation:			
Elimination of intersegment sales			(12,289)
Revenue			2,013,299
Segment results	29,762	(910)	28,852
Reconciliation:			
Bank interest income			477
Interest income from a convertible note receivable			2,583
Dividend income from listed investments			1,359
Management fee income from associates			3,171
Share of losses of associates			(3,344)
Fair value losses on equity investments at fair value through profit or loss, net			(60,716)
Gain on disposal of items of property, plant and equipment			5
Unallocated expenses			(23,935)
Finance costs			(11,634)
Loss before tax			(63,182)
Other segment information:			
Depreciation	4,262	93	4,355
Unallocated depreciation			591
Amortisation of other intangible assets	31	5	36
Impairment of trade receivables	2,613	–	2,613
Capital expenditure	1,073	77	1,150
Unallocated capital expenditure			3,231

NOTES TO FINANCIAL STATEMENTS

31 March 2010

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	HK$'000
Hong Kong	**577,386**	547,575
Mainland China	**971,171**	982,604
Singapore	**816,429**	431,613
Korea	**11,324**	28,841
Other countries	**81,378**	22,666
	2,457,688	2,013,299

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	HK$'000
Hong Kong	**111,782**	55,954
Mainland China	**41,699**	42,626
Singapore	**33,429**	20,647
Korea	**62,974**	19,818
	249,884	139,045

The non-current asset information above is based on the location of assets.

Information about a major customer

Revenue of approximately HK$112,663,000 (2009: HK$149,855,000) was derived from sales by the marketing and distribution segment to a single customer.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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	
	2010	2009
	HK$'000	HK$'000
Revenue		
Marketing and distribution of electronic components	**2,389,284**	1,958,404
Design, development and sale of electronic products	**68,404**	54,895
	2,457,688	2,013,299
Other income and gains		
Bank interest income	**297**	477
Interest income from debt securities	**724**	–
Interest income from a convertible note receivable	**1,710**	2,583
Dividend income from listed investments	**615**	1,359
Gain on disposal of items of property, plant and equipment	**329**	5
Management fee income from associates	**8,571**	3,171
Management fee income from a related company	**399**	240
Insurance claim for damaged inventories	**–**	1,458
Others	**3,183**	2,332
	15,828	11,625

NOTES TO FINANCIAL STATEMENTS

31 March 2010

6. *PROFIT/(LOSS) BEFORE TAX*

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

		2010	2009
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**2,325,900**	1,904,280
Depreciation:			
Property, plant and equipment	*14*	**4,636**	4,946
Investment property	*15*	**309**	–
		4,945	4,946
Amortisation of other intangible assets*	*16*	**39**	36
Impairment/(reversal of impairment) of trade receivables**	*24*	**(208)**	2,613
Impairment of an other receivable**		**–**	3,562
Impairment/(reversal of impairment) of slow moving inventories*		**(5,948)**	2,726
Impairment of an available-for-sale investment**	*20*	**3,921**	–
Minimum lease payments under operating leases in respect of land and buildings		**2,393**	1,971
Auditors' remuneration		**1,598**	1,589
Equity-settled share option expense**	*36*	**2,206**	–
Staff costs (including directors' remuneration – *note 8*):			
Wages and salaries		**61,912**	52,236
Pension scheme contributions		**1,429**	1,617
		63,341	53,853
Fair value (gains)/losses, net:			
Equity investments at fair value through profit or loss		**(39,918)**	60,716
A derivative financial instrument at fair value through profit or loss		**6,698**	–
Foreign exchange differences, net**		**3,991**	3,316
Gain on disposal of items of property, plant and equipment		**(329)**	(5)
Bank interest income		**(297)**	(477)
Interest income from a convertible note receivable		**(1,710)**	(2,583)
Interest income from debt securities		**(724)**	–
Dividend income from listed investments		**(615)**	(1,359)
Impairment/(reversal of impairment) of items of property, plant and equipment**	*14*	**(366)**	336

* 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**8,608**	11,364
Interest on a mortgage loan	**44**	223
Interest on finance leases	**69**	47
	8,721	11,634

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	
	2010	2009
	HK$'000	HK$'000
Fees	**1,260**	260
Other emoluments:		
Salaries, housing and other allowances, and benefits in kind	**10,993**	10,948
Pension scheme contributions	**369**	332
	11,362	11,280
	12,622	11,540

NOTES TO FINANCIAL STATEMENTS

31 March 2010

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2010	2009
	HK$'000	HK$'000
Dr. Hon. Lui Ming Wah, *SBS, JP*	**100**	100
Mr. Charles Edward Chapman	**80**	80
Mr. Wong Ka Kit	**1,080**	80
	1,260	260

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Salaries, housing and other allowances, and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000
2010			
Executive directors:			
Dr. Hon. So Yuk Kwan	6,315	231	6,546
Mr. Lee Jeong Kwan	1,338	4	1,342
Mr. So Chi On	3,340	134	3,474
	10,993	369	11,362
2009			
Executive directors:			
Dr. Hon. 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

There was no other arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2010

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2009: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,934**	2,670

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

	Number of employees	
	2010	2009
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	3	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2010	2009
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**6,194**	4,164
Overprovision in prior years	**(33,115)**	(848)
Deferred *(note 34)*	**62**	(189)
Total tax charge/(credit) for the year	**(26,859)**	3,127

NOTES TO FINANCIAL STATEMENTS

31 March 2010

10. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) 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/(credit) at the effective tax rate is as follows:

Group

	2010	2009
	HK$'000	HK$'000
Profit/(loss) before tax	**50,158**	(63,182)
Tax at the applicable rates to profits/(losses) in the locations concerned	**8,276**	(10,425)
Profits and losses attributable to a jointly-controlled entity and associates	**(339)**	552
Overprovision in prior years	**(33,115)**	(848)
Income not subject to tax	**(2,090)**	(1,559)
Expenses not deductible for tax	**3,387**	3,124
Tax losses not recognised	**2,899**	12,388
Tax losses utilised from previous periods	**(5,414)**	–
Others	**(463)**	(105)
Tax charge/(credit) for the year	**(26,859)**	3,127

The share of tax attributable to associates and a jointly-controlled entity amounting to HK$795,000 (2009: Nil) and HK$704,000 (2009: Nil), respectively, is included in "Share of profits and losses of a jointly-controlled entity and associates" in the consolidated income statement.

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

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 March 2010 includes a profit of HK$36,769,000 (2009: loss of HK$2,704,000) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Interim – HK3 cents (2009: Nil) per ordinary share	**13,991**	–
Proposed final – HK4 cents (2009: Nil) per ordinary share	**20,934**	–
	34,925	–

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 433,871,619 (2009: 413,947,115) 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 ended 31 March 2009 had an anti-dilutive effect on the basic loss per share for that year.

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

	2010	2009
	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	**77,017**	(66,309)

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**433,871,619**	413,947,115
Effect of dilution – weighted average number of ordinary shares:		
Share options	**574,361**	–
	434,445,980	413,947,115

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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 2010							
At 31 March 2009 and at 1 April 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
At 1 April 2009, net of accumulated depreciation and impairment	38,662	21,868	1,074	610	533	4,897	67,644
Additions	–	–	401	477	185	3,410	4,473
Disposals	–	–	–	(41)	–	(305)	(346)
Reversal of impairment	–	366	–	–	–	–	366
Depreciation provided during the year	(998)	(489)	(873)	(307)	(100)	(1,869)	(4,636)
Exchange realignment	–	691	–	20	–	33	744
At 31 March 2010, net of accumulated depreciation	37,664	22,436	602	759	618	6,166	68,245
At 31 March 2010:							
Cost	43,057	25,181	6,514	4,942	822	13,486	94,002
Accumulated depreciation	(5,393)	(2,745)	(5,912)	(4,183)	(204)	(7,320)	(25,757)
Net carrying amount	37,664	22,436	602	759	618	6,166	68,245

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings (Hong Kong)#	Land and buildings (Outside Hong Kong)#	Leasehold improvements	Furniture, fittings and office equipment	Plant, machinery and tools	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2009							
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

\# 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements
	HK$'000
31 March 2010	
At 1 April 2008, 31 March 2009 and at 1 April 2009:	
Cost	–
Accumulated depreciation	–
Net carrying amount	–
At 1 April 2009, net of accumulated depreciation	–
Additions	30
Depreciation provided during the year	(1)
At 31 March 2010, net of accumulated depreciation	29
At 31 March 2010:	
Cost	30
Accumulated depreciation	(1)
Net carrying amount	29

At 31 March 2010, 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	–	8,525	8,525
Medium term leases	43,057	16,656	59,713
	43,057	25,181	68,238

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2009, certain leasehold land and buildings with a net carrying value of approximately HK$34,389,000 held by the Group were pledged to a bank to secure a mortgage loan granted to the Group (note 30). During the year, the pledge was released as the mortgage loan had been repaid by the Group.

The net carrying amount of the Group's property, plant and equipment held under finance leases as at 31 March 2010 included the carrying amount of motor vehicles of HK$1,136,823 (2009: HK$15,598).

15. INVESTMENT PROPERTY

	2010
	HK$'000
Carrying amount at beginning of year	–
Transfer from deposit for an investment property *(note 21)*	11,864
Additions	10,050
Depreciation provided during the year	(309)
Exchange realignment	1,074
Carrying amount at end of year	22,679

The Group's investment property is held under a long term lease and situated in Singapore.

The Group's investment property was revalued on 13 March 2010 by Associated Property Consultants (APC) Pte Ltd., an independent professionally qualified valuer engaged by the Group on an open market, existing use basis. The carrying amount of the investment property as at 31 March 2010 approximates to its revalued amount as at 13 March 2010. The investment property is leased to a third party under operating lease, further summary details of which are included in note 40(a) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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16. OTHER INTANGIBLE ASSETS

Group

	Golf club memberships	**Trademarks**	**Total**
	HK$'000	HK$'000	HK$'000
31 March 2010			
At 31 March 2009 and 1 April 2009:			
Cost	2,344	59	2,403
Accumulated amortisation and impairment	(831)	(17)	(848)
Net carrying amount	1,513	42	1,555
Cost at 1 April 2009, net of accumulated amortisation and impairment	1,513	42	1,555
Amortisation provided during the year	(33)	(6)	(39)
Exchange realignment	51	–	51
At 31 March 2010	1,531	36	1,567
At 31 March 2010:			
Cost	2,431	59	2,490
Accumulated amortisation and impairment	(900)	(23)	(923)
Net carrying amount	1,531	36	1,567
31 March 2009			
At 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

NOTES TO FINANCIAL STATEMENTS

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17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**55,016**	55,016
Due from subsidiaries	**302,984**	279,077
Due to subsidiaries	**(24,101)**	(29,658)
	333,899	304,435
Impairment #	**(35,410)**	(35,410)
	298,489	269,025

An impairment of approximately HK$35,410,000 (2009: 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 statement of financial position 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 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 Electronics Group Limited	British Virgin Islands/ Hong Kong	US$40,000	100	–	Investment holding
AV Concept (China) Industrial Co., Limited	Hong Kong	HK$10,000	–	100	Investment holding
AV Concept Limited	Hong Kong	HK$2 HK$1,000,000@	– –	100 100	Trading of electronic components

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17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation 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 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 ("New Concept")	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.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2010 HK$'000
Share of net assets	17,061
Financial guarantee provided *(note 32)*	4,329
Due from a jointly-controlled entity	11,248
	32,638

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18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

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

Particulars of a jointly-controlled entity are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group 2010	2009	Principal activity
FLEX Technology Limited*	32,000,000 ordinary shares of HK$1 each	Hong Kong	**50**	–	Trading of electronic components

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

The following table illustrates the financial information of the Group's jointly-controlled entity extracted from its management account:

	2010
	HK$'000
Assets	316,519
Liabilities	(282,398)
Revenue	410,116
Profit	2,122

19. INTERESTS IN ASSOCIATES

	Group **2010**	2009
	HK$'000	HK$'000
Share of net assets	**30,642**	27,150
Financial guarantee provided *(note 32)*	**1,262**	–
Due from associates	**29,877**	11,014
	61,781	38,164

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19. INTERESTS IN ASSOCIATES (continued)

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 2010	2009	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
Signeo Design International Limited*	2 ordinary shares of HK$1 each	Hong Kong	**50**	50	Trading of electronic products and and eyewear
Memoriki Limited* (Formerly known as Luv Online International Limited)	100 ordinary shares of HK$1 each	Hong Kong	**50**	45	Software programming
United Benefits Limited*	2,500,000 ordinary shares of HK$1 each	Hong Kong	**50**	–	Trading of electronic components

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

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19. INTERESTS IN ASSOCIATES (continued)

Note:

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

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

	2010	2009
	HK$'000	HK$'000
Assets	216,049	88,203
Liabilities	(155,464)	(34,960)
Revenue	377,160	8,765
Profit/(loss)	1,984	(6,747)

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted equity investments, at cost	49,845	19,818
Impairment *(note 6)*	(3,921)	–
	45,924	19,818

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.

During the year, a full provision of impairment of HK$3,921,000 was made for an available-for-sale investment with original carrying value (before impairment) of HK$3,921,000 because it has been making loss for years and had a deficiency in assets at the end of the reporting period.

21. DEPOSIT FOR AN INVESTMENT PROPERTY

In the prior year, the deposit was unsecured and interest-free. During the year, the balance was transferred to investment property as the construction of the property was completed and the property was ready for use.

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22. 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 bore interest at a rate of 8% per annum.

The convertible note could 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 would be mandatorily redeemed by the issuer on 31 August 2009 at the outstanding principal amount together with interest accrued.

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

Subsequent to the reporting period, on 1 June 2010, the convertible note receivable was fully settled.

23. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**–**	2,811
Finished goods	**106,355**	154,883
	106,355	157,694

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24. TRADE AND BILLS RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**206,214**	212,932
Impairment	**(937)**	(1,294)
	205,277	211,638
Bills receivable discounted with recourse *(note 30)*	**4,612**	3,368
	209,889	215,006

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 end of the reporting period, based on the payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current	**148,064**	138,900
1 to 30 days	**53,693**	59,798
31 to 60 days	**727**	5,027
Over 60 days	**3,730**	9,207
	206,214	212,932

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24. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the bills receivable as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current	**4,612**	3,368

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 April	**1,294**	1,166
Impairment losses recognised/(reversed) *(note 6)*	**(208)**	2,613
Amount written off as uncollectible	**(149)**	(2,485)
	937	1,294

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	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**148,064**	138,662
Less than 1 month past due	**53,693**	59,719
1 to 3 months past due	**727**	4,843
3 to 6 months past due	**2,793**	8,414
	205,277	211,638

NOTES TO FINANCIAL STATEMENTS

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24. TRADE AND BILLS RECEIVABLES (continued)

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**7,101**	949	**5**	68
Deposits and other receivables	**30,079**	8,515	**–**	–
	37,180	9,464	**5**	68
Portion classified as non-current:				
Other deposit	**(17,050)**	–	**–**	–
Current portion	**20,130**	9,464	**5**	68

Other deposit represented a deposit for additional acquisition of an available-for-sale investment. Subsequent to the end of the reporting period, the transaction was terminated, further details of which are disclosed in note 46 to the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

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26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Managed funds, outside Hong Kong, at market value	**57,512**	34,582
Listed equity investments, at market value:		
Hong Kong	**18,962**	30,159
Elsewhere	**8,253**	7,651
Debt securities, at market value	**20,116**	–
	104,843	72,392

The above equity investments at 31 March 2009 and 2010 were classified as held for trading.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**17,421**	49,765	**–**	–
Cash and bank balances	**134,395**	96,564	**570**	623
Cash and cash equivalents	**151,816**	146,329	**570**	623

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$2,797,000 (2009: HK$1,560,000). 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.

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28. TRADE PAYABLES AND ACCRUED EXPENSES

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
Current	**73,368**	57,628	**–**	–
1 to 30 days	**4,835**	46,641	**–**	–
31 to 60 days	**348**	–	**–**	–
Over 60 days	**1,595**	15,590	**–**	–
	80,146	119,859	**–**	–
Accrued expenses	**19,226**	15,762	**2,688**	1,138
	99,372	135,621	**2,688**	1,138

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.

29. BALANCE WITH A RELATED COMPANY

As at 31 March 2010, the amount due from a related company which has a common directorship with the Group, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

Name	**31 March 2010**	**Maximum amount outstanding during the year**	**1 April 2009**	**Security held**
	HK$'000	**HK$'000**	HK$'000	
Signeo International Limited	**5,759**	**5,759**	–	None

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

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30. INTEREST-BEARING BANK BORROWINGS

Group	2010 Effective interest rate	2010 Maturity	2010	2009 Effective interest rate	2009 Maturity	2009
	(%)		**HK$'000**	(%)		HK$'000
Current						
Mortgage loan – secured	**–**	**–**	**–**	1.58	2010	2,304
Import and trust receipt loans – unsecured	**1.60 – 3.25**	**2011**	**308,989**	1.40 – 6.13	2010	263,258
Bank overdrafts – unsecured	**1.04 – 1.15**	**On demand**	**602**	–	–	–
Bank loans – discounted bills with recourse *(note 24)*	**1.85 – 2.04**	**2011**	**4,612**	1.10 – 1.35	2010	3,368
Bank loan – unsecured	**1.27 – 1.29**	**2011**	**53,913**	1.66 – 1.70	2010	35,009
			368,116			303,939
Non-current						
Mortgage loan – secured	**–**	**–**	**–**	1.58	2011 – 2013	5,010
			368,116			308,949

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30. INTEREST-BEARING BANK BORROWINGS (continued)

	Group	
	2010	2009
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**368,116**	303,939
In the second year	**–**	2,304
In the third to fifth years, inclusive	**–**	2,706
	368,116	308,949

Notes:

(a) In the prior year, the mortgage loan was secured by fixed charges over certain of the Group's leasehold land and buildings with a net carrying amount at the end of the reporting period of approximately HK$34,389,000 (note 14). During the year, the charges were released as the mortgage loan had been repaid by the Group.

(b) At the end of the reporting period, 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.

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31. 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 2010, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2010	Minimum lease payments 2009	Present value of minimum lease payments 2010	Present value of minimum lease payments 2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**254**	236	**224**	202
In the second year	**254**	115	**224**	100
In the third to fifth years, inclusive	**572**	8	**505**	7
Total minimum finance lease payments	**1,080**	359	**953**	309
Future finance charges	**(127)**	(50)		
Total net finance lease payables	**953**	309		
Portion classified as current liabilities	**(224)**	(202)		
Non-current portion	**729**	107		

As at 31 March 2010, the effective interest rates of the finance lease payables range from 4.3% to 5.3% (2009: range from 4.3% to 5.3%) per annum. The carrying amounts of the Group's finance lease payables approximate to their fair values.

32. FINANCIAL GUARANTEE OBLIGATION

During the year, the Company has provided financial guarantees to a jointly-controlled entity and an associate in relation to the bank lending facilities granted to them, and the Company will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

As at 31 March 2010, the fair value of the financial guarantee obligation of the Group amounted to HK$5,591,000, based on the valuation from an independent professionally qualified valuer engaged by the Group. The method used in determining the fair value of these guarantees was by reference to the recovery rate and key financial ratio of the guaranteed entities.

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33. DERIVATIVE FINANCIAL INSTRUMENT

	2010
	Liability
	HK$'000
Group	
Interest rate swap	6,698

The carrying amount of the interest rate swap is the same as its fair value. The above transaction involving derivative financial instruments is with Standard Chartered Bank of good credit rating.

Under the interest rate swap, the Group pays interest at 3-month Hong Kong Interbank offer rate ("HIBOR") minus 0.1% while receives interest calculated on a daily basis at 3-month HIBOR based on the notional amount of HK$200,000,000 in the first two contractual years. In the third to fifth contractual years, the Group pays interest at a fixed rate of 3.78% based on the notional amount while receives interest calculated on a daily basis at 3-month HIBOR, when 3-month HIBOR is less than or equal to 7%. If 3-month HIBOR is higher than 7%, the Group will pay interest at 3-month HIBOR.

As the interest rate swap did not meet the criteria for hedge accounting, it was designated as a financial liability at fair value through profit or loss upon initial recognition and the change in its fair value amounting to HK$6,698,000 was charged to the consolidated income statement during the year.

34. DEFERRED TAX LIABILITY

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 April	**169**	358
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**62**	(189)
At 31 March	**231**	169

The Group has tax losses arising in Hong Kong of HK$97,067,000 (2009: HK$112,310,000) 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.

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34. DEFERRED TAX LIABILITY (continued)

At 31 March 2010, there was no significant unrecognised deferred tax liability (2009: 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.

35. SHARE CAPITAL

Shares

	Company	
	2010	2009
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
466,360,419 (2009: 412,524,419) ordinary shares of HK$0.10 each	**46,636**	41,252

During the year, the movements in share capital were as follows:

(a) In the prior year, 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.

(b) On 3 November 2009, the Company placed 45,836,000 shares at HK$0.681 per share to a third party placee, resulting in an increase in issued capital and share premium of HK$4,584,000 and HK$26,631,000, respectively.

The proceeds received from the placing of shares, before expenses, of HK$31,215,000 are used for the Group's business development.

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35. SHARE CAPITAL (continued)

Shares (continued)

(c) On 25 November 2009, the subscription rights attaching to 8,000,000 share options were exercised at the subscription price of HK$0.5 per share (note 36), resulting in the issue of 8,000,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$4,000,000.

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	Share premium account	Share option reserve	Total
		HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 April 2009	412,524,419	41,252	160,807	1,114	203,173
Equity-settled share option arrangement	–	–	–	2,206	2,206
Exercise of share options	8,000,000	800	3,860	(660)	4,000
Placing of shares	45,836,000	4,584	26,631	–	31,215
At 31 March 2010	466,360,419	46,636	191,298	2,660	240,594

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

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31 March 2010

36. 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.

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36. SHARE OPTION SCHEME (continued)

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

Name or category of participant	At 1 April 2009	Granted during the year	Lapsed during the year	Exercised during the year	Cancelled during the year	Expired during the year	At 31 March 2010	Date of grant of share options (Note 1)	Exercise period of share options (both dates inclusive)	Exercise price of share options HK$ per share (Note 2)	Company's share price at grant date of share options HK$ per share (Note 3)
	Number of share options										
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	–	(2,000,000)	–	–	–	3,500,000				
Other employees											
In aggregate	8,000,000	–	–	(8,000,000)	–	–	–	18 July 2007	19 July 2007 to 12 May 2012	0.50	0.50
Non-employees											
In aggregate	–	4,660,000	–	–	–	–	4,660,000	9 March 2010	9 March 2010 to 8 March 2012	1.01	1.01
In aggregate	–	4,660,000	–	–	–	–	4,660,000	9 March 2010	9 March 2011 to 8 March 2012	1.01	1.01
Sub-total	–	9,320,000	–	–	–	–	9,320,000				
Total	13,500,000	9,320,000	(2,000,000)	(8,000,000)	–	–	12,820,000				

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 date of grant of the options.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

36. SHARE OPTION SCHEME (continued)

	2010 Weighted average exercise price	**2010** Number of options	2009 Weighted average exercise price	2009 Number of options
	HK$ per share	**'000**	HK$ per share	'000
At 1 April	**0.50**	**13,500**	0.50	13,500
Granted during the year	**1.01**	**9,320**	–	–
Lapsed during the year	**0.50**	**(2,000)**	–	–
Exercised during the year	**0.50**	**(8,000)**	–	–
Cancelled during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	–	–
At 31 March	**0.87**	**12,820**	0.50	13,500

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2010	**Number of options**	**Exercise price ***	**Exercise period**
	'000	HK$ per share	
	3,500	0.50	19 July 2007 to 12 May 2012
	4,660	1.01	9 March 2010 to 8 March 2012
	4,660	1.01	9 March 2011 to 8 March 2012
	12,820		

2009	**Number of options**	**Exercise price ***	**Exercise period**
	'000	HK$ per share	
	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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

36. SHARE OPTION SCHEME (continued)

The fair value of the share options granted to two independent third parties during the year was HK$2,206,000 and the whole amount was recognised as other expenses in the consolidated income statement.

The fair values of equity-settled share options granted were estimated as at the date of grant of 9 March 2010 and 18 July 2007, respectively, 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:

	9 March 2010	**18 July 2007**
Dividend yield (%)	4.50	–
Expected volatility (%)	66.74	0.62
Risk-free interest rate (%)	0.71	3.89
Expected life of options (year)	1.62	4.82
Weighted average share price (HK$ per share)	1.01	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.

During the year, 8,000,000 share options were exercised resulted in the issue of 8,000,000 ordinary shares of the Company and new share capital of HK$800,000 and share premium of HK$3,200,000, as further detailed in note 35(c) to the financial statements.

At the end of the reporting period, the Company had 12,820,000 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 12,820,000 additional ordinary shares of the Company and additional share capital of HK$1,282,000 and share premium of HK$9,881,200 (before issue expenses).

At the date of approval of these financial statements, the Company had 12,820,000 share options outstanding under the Scheme, which represented approximately 2.5% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

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37. 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 page 40 of the financial statements.

(b) Company

		Share premium account	Share option reserve	Capital redemption reserve	Retained profits	Total
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 April 2009		160,807	1,114	14,397	11,650	187,968
Profit for the year	*11*	–	–	–	36,769	36,769
Equity-settled share option arrangement		–	2,206	–	–	2,206
Exercise of share options		3,860	(660)	–	–	3,200
Placing of shares		26,631	–	–	–	26,631
Interim 2010 dividend	*12*	–	–	–	(13,991)	(13,991)
Proposed final 2010 dividend		–	–	–	(20,934)	(20,934)
At 31 March 2010		191,298	2,660	14,397	13,494	221,849

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

NOTES TO FINANCIAL STATEMENTS

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38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, a deposit for an investment property of HK$11,864,000 was transferred to an investment property.

During the year, the increase in interest in a jointly-controlled entity and interest in associates amounted to HK$4,329,000 and HK$1,262,000, respectively, was attributable to the recognition of financial guarantee obligation of HK$5,591,000 as a liability at the end of the reporting period.

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$880,000 (2008: Nil).

In the prior year, interest income from a convertible note receivable of HK$2,583,000 was not yet settled as at the end of the reporting period.

39. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of facilities granted to subsidiaries	**–**	–	**1,065,172**	1,121,142
Guarantees given in respect of facilities granted to a jointly-controlled entity	**463,100**	–	**463,100**	–
Guarantees given in respect of facilities granted to an associate	**116,250**	–	**116,250**	–
	579,350	–	**1,644,522**	1,121,142

As at 31 March 2010, 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$368,116,000 (2009: HK$308,949,000).

As at 31 March 2010, the banking facilities granted to a jointly-controlled entity and an associate subject to cross-guarantees given by the Company and certain subsidiaries to the banks were utilised to the extent of approximately HK$130,122,000 (2009: Nil) and HK$37,950,000 (2009: Nil), respectively. For the financial guarantees provided to a jointly-controlled entity and an associate in relation to the bank lending facilities granted to them, the Group has recognised the fair value of the financial guarantee obligation amounted to HK$5,591,000 as a liability as at 31 March 2010 which was disclosed in note 32 to the financial statements.

The guarantees in respect of the bank lending facilities granted to a jointly-controlled entity were guaranteed by a counter-indemnity from the other joint venturer.

NOTES TO FINANCIAL STATEMENTS

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40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its property, plant and equipment (note 14 to the financial statements) and its investment property (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**1,093**	–
In the second to fifth years, inclusive	**389**	–
	1,482	–

(b) As lessee

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 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**1,291**	1,272
In the second to fifth years, inclusive	**275**	1,337
	1,566	2,609

At 31 March 2010, the Company had no operating lease arrangements (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2010

41. COMMITMENT

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitment at the end of the reporting period:

	Group 2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Investment property	**–**	8,610

42. 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 2010	2009
	Notes	**HK$'000**	HK$'000
Associates:			
Sales of products	*(i)*	**39,763**	9,370
Purchases of products	*(i)*	**4,735**	–
Management fee income	*(ii)*	**8,571**	3,171
Handling charges	*(iii)*	**695**	193
Jointly-controlled entity:			
Purchases of products	*(i)*	**263**	–
Management fee income	*(ii)*	**964**	–
Related company:			
Sales of products	*(iv)*	**393**	688
Purchases of products	*(v)*	**563**	476
Management fee income	*(vi)*	**399**	240
Subcontracting fee	*(vii)*	**–**	4,011

NOTES TO FINANCIAL STATEMENTS

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42. *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:

(i) The sales and purchases with the associates were made according to the cost of products.

(ii) During the year, the management fee income was charged with reference to the actual staff costs incurred. In the prior year, 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 from April 2009 to December 2009 and 1% from January 2010 to March 2010. In the prior year, the handling income was calculated based on 2% of the transaction value.

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

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

(vi) During the year, the management fee income was charged with reference to the actual staff costs incurred. In the prior year, the management fee income was charged at HK$30,000 per month from April 2008 to November 2008.

(vii) In the prior year, 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.

NOTES TO FINANCIAL STATEMENTS

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43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 **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 a jointly-controlled entity	18	11,248	–	–	11,248
Due from associates	19	29,877	–	–	29,877
Due from a related company	29	5,759	–	–	5,759
Available-for-sale investments	20	–	–	45,924	45,924
Convertible note receivable – loan portion	22	22,516	–	–	22,516
Trade and bills receivables	24	209,889	–	–	209,889
Financial assets included in prepayments, deposits and other receivables	25	30,079	–	–	30,079
Equity investments at fair value through profit or loss	26	–	104,843	–	104,843
Cash and cash equivalents	27	151,816	–	–	151,816
		461,184	104,843	45,924	611,951

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	28	–	80,146	80,146
Interest-bearing bank borrowings	30	–	368,116	368,116
Finance lease payables	31	–	953	953
Financial guarantee obligation	32	–	5,591	5,591
Derivative financial instrument	33	6,698	–	6,698
		6,698	454,806	461,504

NOTES TO FINANCIAL STATEMENTS

31 March 2010

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2009 **Group**

Financial assets

	Notes	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Due from associates	*19*	11,014	–	–	11,014
Available-for-sale investments	*20*	–	–	19,818	19,818
Convertible note receivable – loan portion	*22*	25,301	–	–	25,301
Deposit for an investment property	*21*	11,864	–	–	11,864
Trade and bills receivables	*24*	215,006	–	–	215,006
Financial assets included in prepayments, deposits and other receivables	*25*	8,515	–	–	8,515
Equity investments at fair value through profit or loss	*26*	–	72,392	–	72,392
Cash and cash equivalents	*27*	146,329	–	–	146,329
		418,029	72,392	19,818	510,239

Financial liabilities

	Notes	Financial liabilities at amortised cost
	Notes	HK$'000
Trade payables	*28*	119,859
Due to a related company	*29*	589
Interest-bearing bank borrowings	*30*	308,949
Finance lease payables	*31*	309
		429,706

NOTES TO FINANCIAL STATEMENTS

31 March 2010

43. *FINANCIAL INSTRUMENTS BY CATEGORY (continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial assets

		Company	
		2010	2009
		Loans and receivables	Loans and receivables
	Notes	**HK$'000**	HK$'000
Due from subsidiaries	*17*	**302,984**	279,077
Cash and bank balances	*27*	**570**	623
		303,554	279,700

Financial liability

		Financial liability at amortised cost	Financial liability at amortised cost
		HK$'000	HK$'000
Due to subsidiaries	*17*	**24,101**	29,658

44. *FAIR VALUE HIERARCHY*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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44. FAIR VALUE HIERARCHY (continued)

As at 31 March 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 March 2010:

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Available-for-sale investments	–	45,924	45,924
Equity investments at fair value through profit or loss	104,843	–	104,843
	104,843	45,924	150,767

Liability measured at fair value as at 31 March 2010:

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Derivative financial instrument	–	6,698	6,698

During the year ended 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

45. 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.

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31 March 2010

45. 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 interest-bearing bank borrowings 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).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
2010		
Hong Kong dollar	10	(369)
Hong Kong dollar	(10)	369

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

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.

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31 March 2010

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

Credit risk

The Group trades only with recognised and creditworthy third parties, associates and a related company. 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 39 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, associates and a related company, 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 24 to the financial statements.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

		2010		
	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 28)*	80,146	–	–	80,146
Interest-bearing bank borrowings	369,179	–	–	369,179
Finance lease payables *(note 31)*	254	254	572	1,080
Financial guarantee obligation	5,591	–	–	5,591
Derivative financial instrument	–	–	6,698	6,698
	455,170	254	7,270	462,694

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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

Liquidity risk (continued)

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 28)*	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 *(note 31)*	236	115	8	359
	424,623	2,492	2,845	429,960

Company

	2010	2009
	Within 1 year or on demand	Within 1 year or on demand
	HK$'000	HK$'000
Due to subsidiaries	**24,101**	29,658

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 2010 and 31 March 2009.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

45. 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 ends of the reporting periods were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest-bearing bank borrowings	**368,116**	308,949
Finance lease payables	**953**	309
Less: Cash and cash equivalents	**(151,816)**	(146,329)
Less: Equity investments at fair value through profit or loss	**(104,843)**	(72,392)
Net debt	**112,410**	90,537
Total capital	**381,077**	276,692
Gearing ratio	**30%**	33%

46. EVENTS AFTER THE REPORTING PERIOD

On 30 April 2010, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 57,000,000 placing shares to independent third party placees at a price of HK$1.05 per placing share. The net proceeds from the placing are estimated to be approximately HK$58,100,000. Further details of this transaction were set out in the announcement of the Company dated 28 April 2010.

On 31 May 2010, New Concept, a subsidiary of the Company, entered into a termination agreement with an independent third party, Mr. Lee Yong Hyon ("Mr. Lee"), pursuant to which both parties agreed to terminate the share purchase agreement signed on 18 November 2009. At the end of the reporting period, HK$17,050,000 was remitted by New Concept to Mr. Lee for additional acquisition of an available-for-sale investment pursuant to the agreement signed on 18 November 2009. According to the termination agreement, Mr. Lee shall return and remit such consideration to New Concept within six months from the date of the termination agreement.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2010.