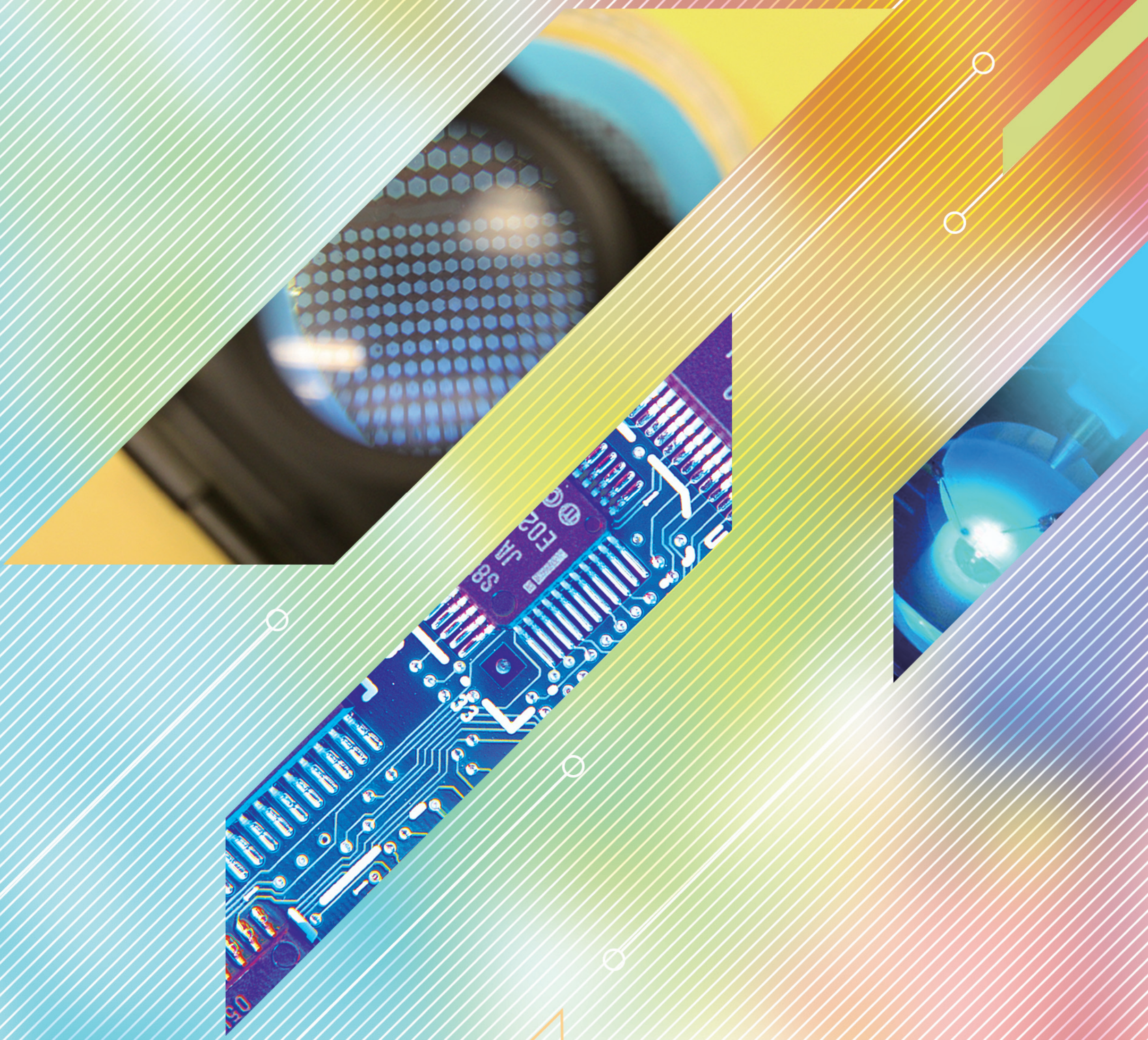
AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 595

ANNUAL REPORT 2011



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FINANCIAL HIGHLIGHTS

	2011 HK$'million	2010 HK$'million	2009 HK$'million	2008 HK$'million	2007 HK$'million
Revenue					
– Semiconductor distribution	**2,801.3**	2,389.3	1,958.4	2,845.1	3,055.0
– Consumer electronic product	**105.8**	68.4	54.9	63.5	30.9
– LED	**2.0**	–	–	–	–
– Jointly-controlled entity	**–**	–	–	15.4	13.9
	2,909.1	2,457.7	2,013.3	2,924.0	3,099.8
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items					
– Corporate	**66.7**	17.7	(71.6)	(2.6)	24.8
– Semiconductor distribution	**49.8**	45.5	26.0	27.0	47.1
– Consumer electronic product	**19.5**	2.4	(1.0)	1.5	(16.6)
– LED	**5.4**	(1.9)	–	–	–
– Jointly-controlled entity	**–**	–	–	(2.7)	(4.4)
	141.4	63.7	(46.6)	23.2	50.9
Depreciation, amortisation and non-cash items	**(9.8)**	(4.9)	(4.9)	4.3	(91.9)
Profit/(loss) for the year attributable to					
– Owners of the Company	**122.4**	77.0	(66.3)	4.3	(69.9)
– Non-controlling interests	**(0.5)**	–	–	–	–
	121.9	77.0	(66.3)	4.3	(69.9)
Dividends					
– Interim	**15.7**	14.0	–	8.6	–
– Proposed final	**24.8**	20.9	–	4.2	–
	40.5	34.9	–	12.8	–
Earnings/(loss) per share (HK cents)	**22.6**	17.8	(16.0)	1.0	(17.3)
Dividends per share (HK cents)					
– Interim	**3.0**	3.0	–	2.0	–
– Proposed final	**4.0**	4.0	–	1.0	–
	7.0	7.0	–	3.0	–

FINANCIAL HIGHLIGHTS

	2011 **HK$'million**	2010 HK$'million	2009 HK$'million	2008 HK$'million	2007 HK$'million
Total assets	**1,387.2**	871.2	765.2	971.8	939.7
Total assets less current liabilities	**684.8**	388.7	282.0	360.1	358.0
Total equity	**679.3**	381.1	276.7	352.1	345.4
Bank debts	**507.3**	369.1	309.3	437.0	414.8
Cash and cash equivalents	**287.4**	151.8	146.3	121.4	139.2
Equity investments at fair value through profit or loss	**223.3**	104.8	72.4	174.4	201.1
Cash and cash equivalents and equity investments	**510.7**	256.6	218.7	295.8	340.3
Total debt to total equity (%)	**75%**	97%	112%	124%	120%
Current assets to current liabilities (%)	**148%**	129%	130%	136%	144%
Cash and cash equivalents and equity investments per share (HK$)	**0.82**	0.55	0.53	0.71	0.84
Total equity per share (HK$)	**1.09**	0.82	0.67	0.85	0.85
Revenue to property, plant and equipment (x)	**43.0**	36.0	29.8	41.4	36.6
Revenue to inventories (x)	**11.3**	23.1	12.8	11.6	13.1
Revenue to trade receivables (x)	**12.2**	11.7	9.4	11.5	14.0
Revenue to trade payables, deposits received and accrued expenses (x)	**15.1**	24.7	14.8	20.3	23.2
Revenue to bank debts (x)	**5.7**	6.7	6.5	6.7	7.5

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Hon. So Yuk Kwan *(Chairman)*
Mr. So Chi On *(Chief Executive Officer)*
Mr. Ho Choi Yan Christopher *(Executive Director)*

Independent Non-Executive Directors

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

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. 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

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited
Citic Bank International Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (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, it is with great delight that I present to shareholders the 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 2011.

AV Concept turned a new page in 2010 with a clarified development direction and strategy. With stable and sustainable organic growth from the solid foundation of the semiconductor distribution business, the Group will also strategically strive for upstream development and investment in consumer electronics products and LED businesses. In addition to leveraging on the existing distribution networks and channels, upstream development offers a promising growth potential and ability to enhance the profitability of the Group.

Against the backdrop of an ongoing economic recovery and employment conditions were improving gradually during the reviewing year. As a result, market demand has seen a continuous increase while the operating environment has also been improving during the year supported by positive market sentiment. The Group continued to achieve outstanding growth in its results after the turnaround delivered last year.

The Group recorded total revenue of HK$2,909.1 million, an increase of 18.3% from HK$2,457.7 million last year. The increase was attributable to improved sales from both semiconductor distribution and consumer electronics businesses. The Group also recognised a significant profit contribution from its investment in Accupix Co., Ltd. ("Accupix") (listed on KOSDAQ; stock code: 056730.KQ), in which the Group holds approximately 19.68% equity interest, from its listing on KOSDAQ in December 2010.

Looking ahead, the management maintains a positive outlook towards the development of the Group's three core businesses. The industry has undergone consolidation during the financial crisis, as many distributors with less experience and a smaller scale of operation were not able to survive. Riding on its established distribution network and long-term relationships with leading global semiconductor, electronic components and product manufacturers, the Group has successfully strengthened its business foundation as well as its position in the market, leading to further expansion of its market share in the semiconductor distribution market. The Group continues to devote efforts to strengthen its distribution network, and believes that the semiconductor distribution business will continue to achieve healthy organic growth.

The consumer electronics sector is expected to continue booming in parallel with the improving economy and consumers' increasing purchasing power. The Group has always been able to identify and launch suitable new products in a timely fashion that satisfy the changing needs of our customers and consumers alike. In early 2011, the Group launched a new series of high definition headphones under the brand SOUL by Ludacris®. These headphones not only offer superior professional sound quality, but are arrayed in a series of eye-catching colours and uniquely designed styles. The new line has been positively received in US and Hong Kong, and also is soon to be launched in Korea, Taiwan, and other regions. The Group plans to continue to diversify our consumer electronics product mix to meet customers' diverse needs in the fast-changing electronics market.

CHAIRMAN'S STATEMENT

We maintain strong confidence in the tremendous potential in high brightness LEDs, thus we have further increased our shareholding interest in Wavesquare Inc. ("Wavesquare"), which specialises in high brightness LED chip technologies, to 31.84% in March 2011. Countries and regions including China, North America, Australia, Europe, Japan and Korea are also gradually replacing conventional lighting with energy saving lighting. This development has presented our LED business with huge growth potential. Besides, Wavesquare's technology can produce high luminosity LED chips with higher efficiency which enhances our market competitiveness. Therefore, to better capture the anticipated business growth, we will actively expand the production capacity of Wavesquare so as to satisfy demand mainly from the PRC, one of the fastest growing markets in the world.

Notably, the Group has entered into placing and subscription agreements with recognised institutional investors in April 2010 and December 2010 respectively to broaden our capital base and enlarge our shareholder foundation aimed at supporting the long term growth of AV Concept and its LED business. The investment by prestigious international and local investors demonstrates the confidence of the investment community in our business development direction, and supports our ongoing efforts to strive for fruitful returns for our shareholders.

Acknowledgement

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

So Yuk Kwan
Chairman

Hong Kong
20 June 2011

Management
Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

The following sets out the financial highlights for the year ended 31 March 2011, with the comparative figures for the corresponding financial year of 2010.

	2011 HK$'million	2010 HK$'million
Revenue		
Semiconductor distribution	**2,801.3**	2,389.3
Consumer electronic product	**105.8**	68.4
LED	**2.0**	–
	2,909.1	2,457.7
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**66.7**	17.7
Semiconductor distribution	**49.8**	45.5
Consumer electronic product	**19.5**	2.4
LED	**5.4**	(1.9)
	141.4	63.7
Depreciation, amortisation and non-cash items		
Corporate	**(1.3)**	(0.8)
Semiconductor distribution	**(5.5)**	(4.0)
Consumer electronic product	**(3.0)**	(0.1)
LED	**(0.0)**	–
	(9.8)	(4.9)
Profit before interest and tax	**131.6**	58.8
Interest expenses	**(11.0)**	(8.7)
Profit before tax	**120.6**	50.1
Income tax	**1.3**	26.9
Profit for the year	**121.9**	77.0

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to achieve outstanding growth in its results after the turnaround realised last year. For the year ended 31 March 2011, the Group's turnover increased by 18.3% to HK$2,909.1 million, up from HK$2,457.7 million in 2010. The Group recorded a significant increase of 121.9% in EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) of HK$141.4 million for the year compared to HK$63.7 million last year. The increase was attributed to improvement in sales from the semiconductor distribution and consumer electronics businesses.

2010 will be remembered as a landmark year in AV Concept's history, and destined to mark a new era of growth for the Group. Confronted by the challenging global economic environment, as well as the complicated and changing economic situation in China, AV Concept accurately grasped developing opportunities in past years, clarified its development direction and fully leveraged the advantages of the Group's strategic presence. The excellent results were also achieved because all of the Group's product segments showed significant improvement over the previous year.

By continuously 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. Promptly responding to the reviving economic situation, the Group proactively 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 increase in the fair value on equity investments. The Group achieved net profit of HK$121.9 million during the review year, representing a year-on-year increase of 58.3% (2010: HK$77.0 million).

Semiconductor Distribution Business

For the year ended 31 March 2011, turnover of the semiconductor distribution business increased by 17.2% to HK$2,801.3 million (2010: HK$2,389.3 million). Despite United Benefits Limited ("UBL") whose sales revenue was not consolidated in financial statements, the Group was managed to expand our distribution business in terms of turnover. During the year, the Group continuously sought to broaden its distribution network, diversify its product mix and expand its customer base. The Group has a very close working relationship with key electronic manufacturers such as Samsung Electronics which stretches over 20 years. This close bond has provided a solid foundation for the Group to increase its market shares while generating sustainable contributions. Moreover, the Group was able to grasp the market trend of raising power conversion efficiency. The earlier introduction of Fairchild's new green products to customers put the Group at a competitive edge. EBITDA for this segment increased to HK$49.8 million (2010: HK$45.5 million) during a period in which the product price trend was relatively stable.

In terms of geographical distribution, the Group successfully captured huge demand from the fast growing Indian market with the delivery of traditional components, which has made significant contribution to the Group. Hong Kong and the PRC remain the core strengths 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 emerging.

BUSINESS REVIEW (continued)

LED Business

Since the acquisition of equity interest in Wavesquare Inc. ("Wavesquare"), Wavesquare has become one of the few manufacturers in the world to supply vertical high brightness blue LED chips. In addition, Wavesquare's technology enables certain key materials to be reused during the production process, thus it produces high-luminosity LED chips with physical properties comparable with LEDs from leading worldwide producers but at a competitively lower cost.

The three production lines of Wavesquare commenced mass production. The business received encouraging orders, mainly supplying to domestic LED packaging production companies in the PRC. In view of the LED business' tremendous growth potential, the Group further increased its stake in Wavesquare to 31.84% on 31 March 2011 in order to better capture anticipated business growth, especially in the general lighting market.

Wavesquare, together with LED solutions and Samsung Electronics LED distribution business, turnover of the LED business recorded HK$2.0 million and this segment managed to increase EBITDA to HK$5.4 million (2010: negative EBITDA: HK$1.9 million) for the year ended 31 March 2011.

Consumer Electronic Product Business

Turnover of the consumer electronic products business increased by 54.7% to HK$105.8 million (2010: HK$68.4 million). The segment managed to increase EBITDA to HK$19.5 million (2010: EBITDA: HK$2.4 million). During the year, the global economy, which includes the Group's major market, North America, was strong. Among all products, iPhone accessories and headsets were well-received by the market as customers' demand for associated peripheral electronic products has grown in recent years. The Group sought to capitalise on this advantage, doubling its sales effort as well as stringent cost control measures, which were subsequently rewarded with satisfactory results.

In January 2011, AV Concept subscribed for 75% of the entire issued share capital of Signeo International Limited ("Signeo") at the subscription price of US$800,000 (approximately HK$6,240,000). With Signeo's expertise in manufacturing professional and consumer audio products, the business prospects of Signeo is expected to bring potential synergies to the Group's existing business in consumer electronics. Through Signeo, the Group has announced the worldwide launch of its superior new line of personal audio products – SOUL by Ludacris®. In a unique collaboration with the Grammy winning and globally renowned artist, Chris "Ludacris" Bridges, this line will initially introduce five models of high definition headphones that offer the superior sound quality of a professional headphone combined with a distinctive flair for self-expression and individual style. The new product line has received overwhelming response since its pre-launch in Atlanta in October 2010, as well as the unveiling at the 2011 Consumer Electronics Show in Las Vegas.

Separately, Accupix Co. Ltd ("Accupix"), a pioneer in 3D TV glasses technology, which the Group holds approximately 19.68% equity interest in, has tapped demand for 3D TVs, consequently delivering excellent performance and contributed significant profit to the Group during the year. Accupix has commenced mass production of 3D TV shutter glasses since February 2010, and became the exclusive manufacturer of 3D shutter glasses for LG-Electronics' 3D TVs. In March 2011, Accupix successfully developed passive glasses and subsequently started to supply LG-Electronics with such devices. Accupix is the first 3D glasses supplier that is able to supply both shutter glasses and passive glass to LG Electronics.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

With over a decade's worth of experience, AV Concept has established a strong and solid foundation in the fast-changing electronics industry, which includes extensive sales and distribution network, close ties with key electronics manufacturers, strong business partnership and diversified product portfolio. Capitalising on stable global economic growth, the Group believes that it will continue to consolidate and strengthen its leading presence in the electronics market in the next financial year.

Looking ahead, the Group's semiconductor distribution business will continue to grow, benefiting from the solid foundation built over the years. With a diversified product portfolio and expanded number of clients, this business segment will be able to further enhance its economies of scale. Earlier this year, the earthquake in Japan temporarily disrupted the supply of components from the country. With the Group's close relationship with manufacturers in Korea, the Group was nevertheless able to maintain a stable supply of needed components after the catastrophe.

Further strengthening its distribution networks, the Group acquired a Korean semiconductor distributor, P&S Semiconductor Co., Ltd. ("P&S") in May 2011. P&S is one of the largest distributors of Fairchild Semiconductor in Korea. The acquisition will help the Group to expand and strengthen its position in the East Asian market. P&S also distributes Fairchild LED power drivers to LED lighting users. Its strong relationship with related customers is expected to generate synergy with the Group's high brightness LED businesses.

For the LED business, supported by efforts from governments around the world, especially the PRC, in promoting environmentalism and development of industries involved in energy conservation by way of tax rebates and so on, the Group is confident that the demand driven by end-users and business potential of its high brightness LED business will be extremely favourable. To tap tremendous market demand for LEDs, Wavesquare will further increase its capacity by three folds to a monthly production capacity of about 15 million chips. The capacity expansion will enable the Group to better capture anticipated business growth, especially in the general lighting market; hence, significant contribution is expected from this business segment in the near future.

The consumer electronic products sector is expected to continue flourishing in tandem with the improving economy and consumers' increasing purchasing power. As always, the Group is able to identify suitable new products in time to satisfy the changing needs of its customers. The new series of high definition headphones under the SOUL brand by Ludacris® has been positively received in the US and Hong Kong, and started to receive encouraging order since April this year. It will also be launched in Korea, Taiwan, and other regions. The Group targets to launch and supply SOUL by Ludacris® worldwide in the near future.

With iPhone dominating the global mobile electronics industry, the management sees huge potential in related accessories and products. The Group plans to provide docking products that are compatible with iPhones and iPods. The management consequently believes that the consumer electronics business will be the Group's growth driver in coming years.

In addition, 3D TV has already become a leading technology owing to the booming 3D contents market led by 3D movies, as well as increasing popularity of 3D-related video games. The 3D TV market presents enormous business potential to the Group which it aims to further tap via its 3D shutter and passive glasses business.

The Group's migration to upstream markets, leveraging by its well-established distribution channels and networks, has enabled it to obtain a favourable margin and huge growth potential. The management maintains a positive outlook towards achieving sustainable long-term business development and growth. The management's vision of delivering high quality products and creating a more advantageous position for its businesses remains unchanged, and will be the basis for enhancing shareholder value in coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 31 March 2011 and the corresponding gearing ratio are shown as follows:

	2011	2010
	HK$'million	HK$'million
Bank debts	**507.3**	369.1
Cash and cash equivalents	**287.4**	151.8
Equity investments at fair value through profit or loss	**223.3**	104.8
Cash and cash equivalents and equity investments	**510.7**	256.6
Total equity	**679.3**	381.1
Total debt to total equity	**75%**	97%

As at 31 March 2011, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK$287.4 million (2010: HK$151.8 million), while the Group's equity investments at fair value through profit or loss amounted to HK$223.3 million (2010: HK$104.8 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 total debt to total equity ratio as at 31 March 2011 was 75% (2010: 97%), while the Group's total equity as at 31 March 2011 was HK$679.3 million (2010: HK$381.1 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2011 of HK$510.7 million (2010: HK$256.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (continued)

The working capital position of the Group remains healthy. As at 31 March 2011, the liquidity ratio was 148% (2010: 129%).

	2011 HK$'million	2010 HK$'million
Current assets	**1,037.8**	621.3
Current liabilities	**(702.4)**	(482.5)
Net current assets	**335.4**	138.8
Current assets to current liabilities (%)	**148%**	129%

The management is confident that the Group follows a prudence policy 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.

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 40 to the financial statements.

EMPLOYEES

As at 31 March 2011, the Group employed a total of approximately 230 (2010: approximately 183) 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 Managements

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENTS

EXECUTIVE DIRECTORS

Dr. Hon. So Yuk Kwan, aged 61, 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 35 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. Dr. So 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. Dr. So had received Glorious Chinese 2009 from Glorious China Association in 2010. In additional, he is a Director of the 32th term Board of Directors of Yan Oi Tong. Dr. Hon. So Yuk Kwan is the father of Mr. So Chi On.

Mr. So Chi On, aged 34, 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.

Mr. Ho Choi Yan Christopher, aged 37, has been appointed as an executive Director of the Company since January 2011. He is also the Chief Financial Officer, Qualified Accountant and Company Secretary of the Group. He joined the Group in 2006 and has over 16 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hon. Lui Ming Wah, *SBS, JP,* aged 73, 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 Chinese Manufacturers Association of Hong Kong, The Hong Kong Electronic Industries Association and The Hong Kong Shandong Chamber of Commerce. In addition, he is also an Advisor of the Hong Kong International Arbitration Centre. 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 62, 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 34, 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 MANAGEMENTS

SENIOR MANAGEMENTS

Mr. Choi Joon Yun, aged 47, 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 22 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 47 is the President of AV Concept Limited, a subsidiary of the Company. He joined the Group in 2006 and has over 22 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).

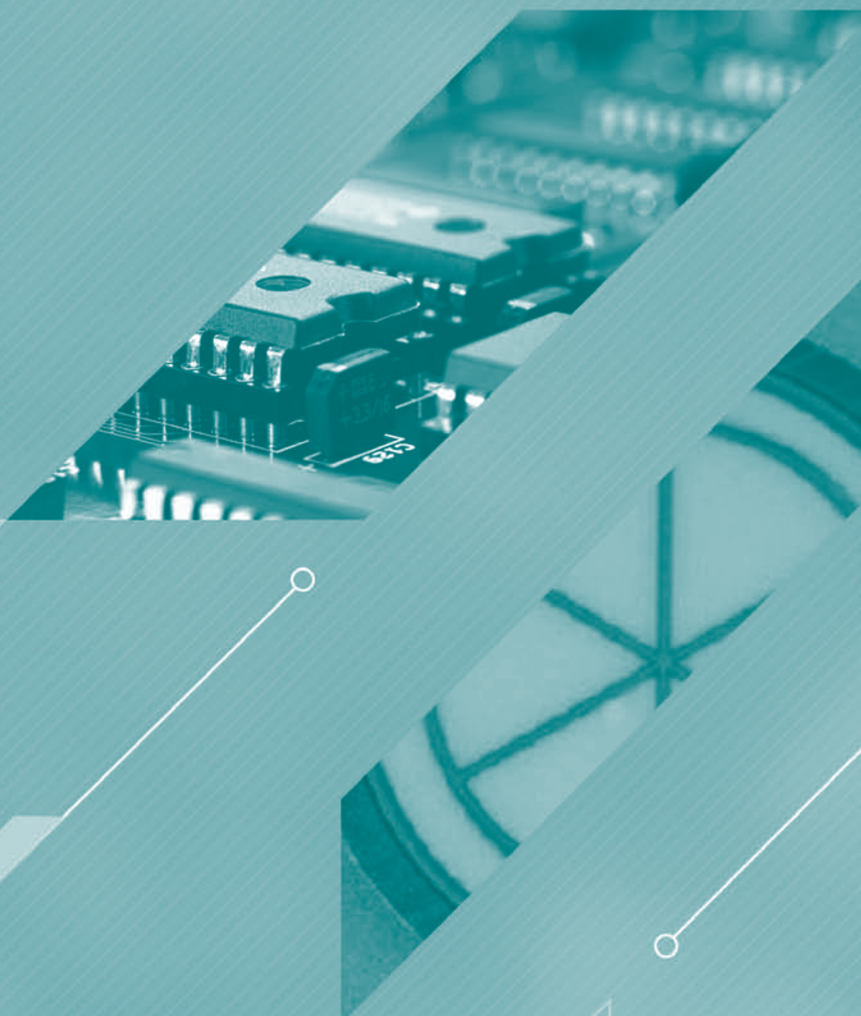
Mr. Lee Jun Hyog, aged 47, is the President of AV Concept Singapore Pte Ltd., a subsidiary of the Company. He joined the Group in 2003 and has over 21 years experience in Sales and Marketing. Prior to joining the Group, Mr. Lee was the Marketing Vice President of Onyx Technologies Taiwan Branch, Sales and Marketing Manager of Fairchild Semiconductor International, Inc. (Taiwan Branch), and the Sales and Marketing Manager of Samsung Electronics Co., Ltd. (Semiconductor Business).

Mr. Yeung Wing Suen Lewis, aged 50, is the President of AV Concept Solutions Limited, a subsidiary of the Company. He joined the Group in 2009 and has over 29 years experience in sales and marketing in semiconductor industry throughout Asia Pacific region. Prior to joining the Group, Mr. Yeung held various management roles in various world leading suppliers and distributors including Intel Semiconductor Limited (a subsidiary of Intel Corporation), Motorola Semiconductors Hong Kong Limited, new name as Freescale Semiconductor Hong Kong Limited (a subsidiary of Motorola Semiconductor Inc, new name as Freescale Semiconductor Inc.), Arrow Asia Pac Limited (a subsidiary of Arrow Electronics, Inc.), WPG Technology Limited (a subsidiary of WPG Holdings Limited) and Future Electronics (Hong Kong) Limited (a subsidiary of Future Electronics, Inc.).

Mr. Giovanni D. Gapasin, aged 44, is the President of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Gapasin joined the Group in 2003 and has over 21 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 50, is the Materials Director of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Tsang joined the Group in 2005 and has over 27 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 2011.

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, the product design, development and sale of electronic products, and distribution of Light-emitting Diode ("LED") business.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2011 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 34 to 126 of this annual report.

An interim dividend of HK3 cents per ordinary share was paid on 17 December 2010. The directors recommended the proposed payment of final dividend of HK4 cents per ordinary share is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 9 August 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 29 July 2011 to Monday, 1 August 2011 and no transfer of shares will be effected on such date. 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 AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment of the Company and Group, and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

THE ISSUE OF SHARES

During the year, the Company had issued 154,200,000 shares by way of placing.

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.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$394,410,000, of which approximately HK$24,822,000 has been proposed as a final dividend for the year. The share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,909,125**	2,457,688	2,013,299	2,924,054	3,099,846
PROFIT/(LOSS) BEFORE TAX	**120,681**	50,158	(63,182)	5,712	(62,159)
Income tax	**1,254**	26,859	(3,127)	(1,460)	(7,722)
PROFIT/(LOSS) FOR THE YEAR	**121,935**	77,017	(66,309)	4,252	(69,881)
Attributable to:					
Owners of the Company	**122,473**	77,017	(66,309)	4,252	(69,881)
Non-controlling interests	**(538)**	–	–	–	–
	121,935	77,017	(66,309)	4,252	(69,881)

ASSETS AND LIABILITIES

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,387,202**	871,192	765,231	971,781	939,711
TOTAL LIABILITIES	**(707,935)**	(490,115)	(488,539)	(619,705)	(594,283)
	679,267	381,077	276,692	352,076	345,428

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Dr. Hon. So Yuk Kwan *(Chairman)*
Mr. So Chi On *(Chief Executive Officer)*
Mr. Ho Choi Yan Christopher *(Executive Director)* (appointed on 1 January 2011)

Independent Non-executive Directors:

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

Mr. Ho Choi Yan Christopher, aged 37, has been appointed as an executive Director of the Company since January 2011. The Board would like to welcome Mr. Ho to join to the Board. It is expected that Mr. Ho will continue his expertise and effort to the Group.

The Company has received annual 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 managements of the Group as at the date of this annual report are set out on pages 15 to 17 of this annual report.

REMUNERATION POLICY

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors 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 2011, 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	269,778,189 *(Note 1)*	43.47%
Mr. So Chi On	Beneficial owner	4,500,000 *(Note 2)*	0.73%

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 269,778,189 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 options and (ii) 1,000,000 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 2011, 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.

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 2011, 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	189,138,300 *(Note 1)*	30.48%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 *(Note 2)*	12.99%
Madam Yeung Kit Ling ("Madam Yeung")	Beneficial owner	269,778,189 *(Note 3)*	43.47%

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 189,138,300 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 2011, 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.

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$142,000 (2010: HK$134,000).

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 26% of the total sales. Purchases from the Group's five largest suppliers for the year accounted for approximately 94% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 44%.

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.

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 2011 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 25 to 30 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 46 to the financial statements.

AUDITORS

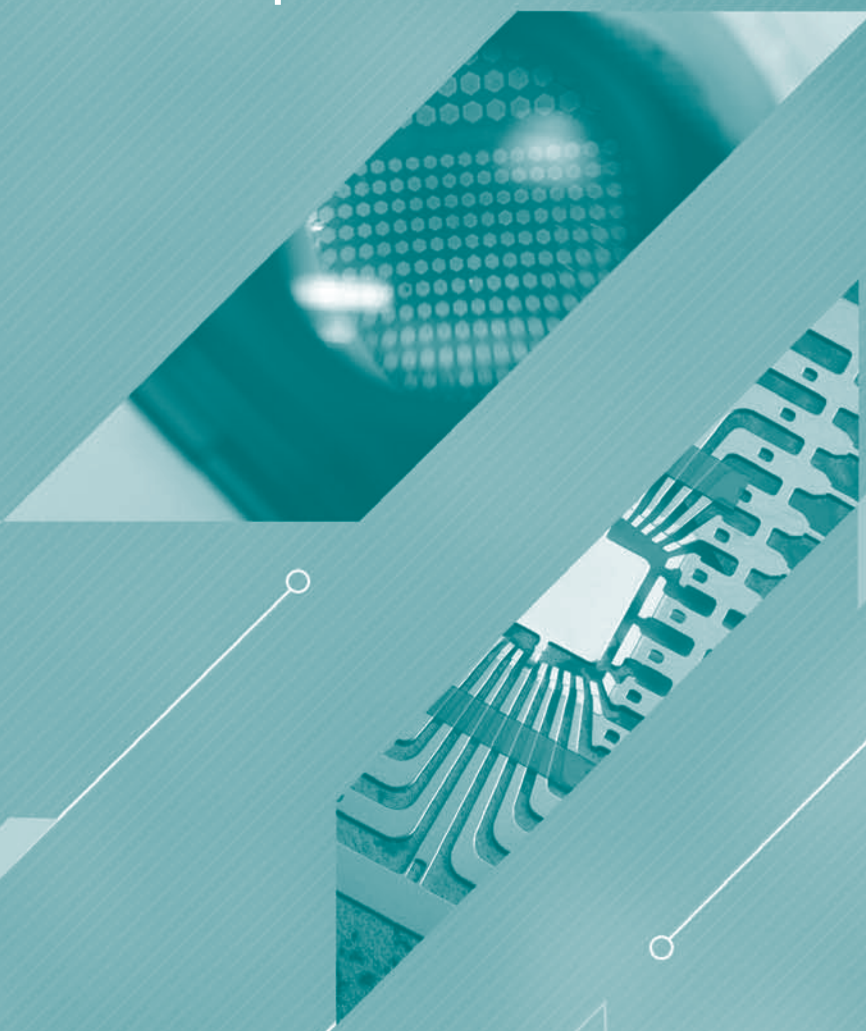
Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

So Yuk Kwan
Chairman

Hong Kong
20 June 2011

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 2011, 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 2011, the Board comprised three executive Directors and three Independent Non-executive Directors ("INEDs"). The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. One of the INEDs has appropriate professional qualifications, or accounting or related financial management expertise as required under the Listing Rules.

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

The Board as a whole is responsible for reviewing the Board composition (which include an assessment of the skills, knowledge and experience of the existing Directors and suitable candidates) and for formulating procedures for appointment of its own members and for nominating them for election by the Shareholders on the first appointment and thereafter at regular intervals through the retirement by rotation process pursuant to the Articles of Association 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. Dr. Hon. So Yuk Kwan and Mr. Wong Ka Kit will retire from the office by rotation and are being eligible to offer themselves for re-election at the forthcoming annual general meeting. The board has assessed the independence of Mr. Wong Ka Kit who has met the independence guidelines set out in rule 3.13 of the Listing Rules. He has given an annual confirmation concerning his independence to the Company. The Board, therefore, consider him to be independent. Mr. Ho Choi Yan Christopher will retire from the office pursuant to the Article 95 of the Articles of Association of the Company and is being eligible to offer himself for re-election at the forthcoming annual general meeting.

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 and development.

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 managements 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.

CORPORATE GOVERNANCE REPORT

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. So Chi On *(Chief Executive Officer)*	4/4
Mr. Ho Choi Yan Christopher *(Executive Director)* (appointed on 1 January 2011)	N/A
Independent Non-executive Directors	
Dr. Hon. Lui Ming Wah, *SBS, JP*	4/4
Mr. Charles Edward Chapman	4/4
Mr. Wong Ka Kit	4/4

Note: All board meetings held before the appointment of Mr. Ho Choi Yan Christopher.

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 2011, 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 2010 and the interim results for the six months ended 30 September 2010. 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 2011.

Remuneration Committee

As at 31 March 2011, 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 2011.

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 2011.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors amounted to HK$1,726,000 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 31 to 33 of this report.

Independent
Auditors' Report

INDEPENDENT AUDITORS' REPORT

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To the shareholders of AV Concept Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of AV Concept Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 126, which comprise the consolidated and company statements of financial position as at 31 March 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, 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.

Ernst & Young
Certified Public Accountants
Hong Kong
20 June 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**2,909,125**	2,457,688
Cost of sales		**(2,769,541)**	(2,331,673)
Gross profit		**139,584**	126,015
Other income and gains	5	**18,772**	15,828
Selling and distribution costs		**(35,369)**	(28,913)
Administrative expenses		**(108,685)**	(72,122)
Fair value gains on equity investments at fair value through profit or loss, net		**110,877**	39,918
Fair value loss on a derivative financial instrument at fair value through profit or loss		**(7,178)**	(6,698)
Revaluation of a pre-existing interest in an acquired subsidiary to fair value		**5,614**	–
Other expenses		**(8,487)**	(17,202)
Finance costs	7	**(10,956)**	(8,721)
Share of profits and losses of:			
a jointly-controlled entity		**18,002**	1,061
associates		**(1,493)**	992
PROFIT BEFORE TAX	6	**120,681**	50,158
Income tax	10	**1,254**	26,859
PROFIT FOR THE YEAR		**121,935**	77,017
Attributable to:			
Owners of the Company		**122,473**	77,017
Non-controlling interests		**(538)**	–
		121,935	77,017
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**22.6 cents**	17.8 cents
Diluted		**22.4 cents**	17.7 cents

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 2011

	2011	2010
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**121,935**	77,017
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax	**6,240**	3,938
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**128,175**	80,955
Attributable to:		
Owners of the Company	**128,713**	80,955
Non-controlling interests	**(538)**	–
	128,175	80,955

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**67,724**	68,245
Investment property	*15*	**24,701**	22,679
Goodwill	*16*	**37,729**	–
Other intangible assets	*17*	**26,592**	1,567
Investment in a jointly-controlled entity	*19*	**14,458**	32,638
Investments in associates	*20*	**173,679**	61,781
Available-for-sale investments	*21*	**1,750**	45,924
Other deposit	*25*	**–**	17,050
Deferred tax assets	*34*	**2,796**	–
Total non-current assets		**349,429**	249,884
CURRENT ASSETS			
Convertible note receivable – loan portion	*22*	**–**	22,516
Inventories	*23*	**257,881**	106,355
Trade and bills receivables	*24*	**237,876**	209,889
Prepayments, deposits and other receivables	*25*	**31,313**	20,130
Due from a related company	*29*	**–**	5,759
Equity investments at fair value through profit or loss	*26*	**223,339**	104,843
Time deposits	*27*	**62,204**	17,421
Cash and bank balances	*27*	**225,160**	134,395
Total current assets		**1,037,773**	621,308
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	*28*	**192,125**	99,372
Interest-bearing bank borrowings	*30*	**505,268**	368,116
Finance lease payables	*31*	**423**	224
Tax payable		**3,250**	9,154
Financial guarantee obligation	*32*	**1,262**	5,591
Total current liabilities		**702,328**	482,457
NET CURRENT ASSETS		**335,445**	138,851
TOTAL ASSETS LESS CURRENT LIABILITIES		**684,874**	388,735

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES			
Derivative financial instrument	*33*	**–**	6,698
Finance lease payables	*31*	**1,565**	729
Deferred tax liabilities	*34*	**4,042**	231
Total non-current liabilities		**5,607**	7,658
Net assets		**679,267**	381,077
EQUITY			
Issued capital	*35*	**62,056**	46,636
Reserves	*37(a)*	**593,626**	313,507
Proposed final dividend	*12*	**24,822**	20,934
Equity attributable to equity holders of the Company		**680,504**	381,077
Non-controlling interests		**(1,237)**	–
Total equity		**679,267**	381,077

So Yuk Kwan
Director

So Chi On
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

		Attributable to owners of the Company									
		Issued capital	Share premium account	Capital reserve #	Equity–settled share-based payment expenses reserve	Exchange fluctuation reserve	Retained profits##	Proposed final dividend	Total	Non–controlling interests	Total equity
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009		41,252	160,807	15,778	1,114	217	57,524	–	276,692	–	276,692
Profit for the year		–	–	–	–	–	77,017	–	77,017	–	77,017
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	3,938	–	–	3,938	–	3,938
Total comprehensive income for the year		–	–	–	–	3,938	77,017	–	80,955	–	80,955
Equity-settled share option arrangement		–	–	–	2,206	–	–	–	2,206	–	2,206
Exercise of share options		800	3,860	–	(660)	–	–	–	4,000	–	4,000
Placing of shares		4,584	26,631	–	–	–	–	–	31,215	–	31,215
Interim 2010 dividend	*12*	–	–	–	–	–	(13,991)	–	(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	–	381,077

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

		Attributable to owners of the Company									
		Issued capital	Share premium account	Capital reserve #	Equity-settled share-based payment expenses reserve	Exchange fluctuation reserve	Retained profits##	Proposed final dividend	Total	Non-controlling interests	Total equity
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2010		46,636	191,298	15,778	2,660	4,155	99,616	20,934	381,077	–	381,077
Profit for the year		–	–	–	–	–	122,473	–	122,473	(538)	121,935
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	6,240	–	–	6,240	–	6,240
Total comprehensive income for the year		–	–	–	–	6,240	122,473	–	128,713	(538)	128,175
Placing of shares	*35*	15,420	201,894	–	–	–	–	–	217,314	–	217,314
Shares placing expenses		–	(9,965)	–	–	–	–	–	(9,965)	–	(9,965)
Revaluation of a pre-existing interest in an acquired subsidiary to fair value		–	–	–	–	–	–	–	–	(699)	(699)
Final 2010 dividend		–	–	–	–	–	–	(20,934)	(20,934)	–	(20,934)
Interim 2011 dividend	*12*	–	–	–	–	–	(15,701)	–	(15,701)	–	(15,701)
Proposed final 2011 dividend	*12*	–	–	–	–	–	(24,822)	24,822	–	–	–
At 31 March 2011		62,056	383,227*	15,778*	2,660*	10,395*	181,566*	24,822	680,504	(1,237)	679,267

Included in the balance of the capital reserve as at 31 March 2011 was a capital redemption reserve balance amounting to approximately HK$14,397,000 (2010: HK$14,397,000).

As at 31 March 2011, there was goodwill of HK$12,470,000 (2010: HK$12,470,000) arising from the acquisition of subsidiaries in prior years which remained eliminated against the consolidated retained profits.

* These reserve accounts comprised the consolidated reserves as at 31 March 2011 of HK$593,626,000 (2010: HK$313,507,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**120,681**	50,158
Adjustments for:			
Finance costs	*7*	**10,956**	8,721
Share of profit of a jointly-controlled entity		**(18,002)**	(1,061)
Share of losses/(profits) of associates		**1,493**	(992)
Depreciation:			
Property, plant and equipment	*6*	**4,637**	4,636
Investment property	*6*	**511**	309
Amortisation of other intangible assets	*6*	**4,700**	39
Impairment/(reversal of impairment) of trade receivables	*6*	**347**	(208)
Impairment/(reversal of impairment) of slow moving inventories	*6*	**1,408**	(5,948)
Reversal of impairment of items of property, plant and equipment	*6*	**–**	(366)
Gain on disposal of items of property, plant and equipment	*6*	**(137)**	(329)
Gain on disposal of an available-for-sale investment	*6*	**(3,921)**	–
Impairment of available-for-sale investments	*6*	**4,027**	3,921
Gain on early redemption of a convertible note receivable	*6*	**(1,438)**	–
Revaluation of a pre-existing interest in an acquired subsidiary to fair value	*6*	**(5,614)**	–
Gain on derecognition of financial guarantee obligation	*6*	**(4,329)**	–
Impairment of an investment in a jointly-controlled entity	*6*	**4,329**	–
Fair value gains on equity investments at fair value through profit or loss, net	*6*	**(110,877)**	(39,918)
Fair value loss on a derivative financial instrument at fair value through profit or loss	*6*	**7,178**	6,698
Equity-settled share option expense	*6*	**–**	2,206
Interest income from a convertible note receivable	*6*	**(128)**	(1,710)
Interest income from debt securities	*6*	**(1,091)**	(724)
Dividend income from listed investments	*6*	**(409)**	(615)
Bank interest income	*6*	**(117)**	(297)
		14,204	24,520

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Increase in amounts due from associates		**(17,333)**	(18,863)
Decrease/(increase) in an amount due from a jointly-controlled entity		**29,353**	(11,248)
Decrease/(increase) in inventories		**(142,708)**	58,224
Decrease in trade and bills receivables		**5,612**	6,911
Increase in prepayments, deposits and other receivables		**(10,648)**	(10,535)
Increase/(decrease) in trade payables, deposits received and accrued expenses		**36,983**	(37,275)
Movement in balance with a related company		**–**	(6,348)
Cash generated from/(used in) operations		**(84,537)**	5,386
Hong Kong profits tax paid		**(8,237)**	(6,827)
Net cash flows used in operating activities		**(92,774)**	(1,441)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income received		**117**	297
Interest income from a convertible note receivable		**128**	1,710
Interest income from debt securities		**1,091**	724
Dividend received		**2,909**	615
Purchases of items of property, plant and equipment		**(1,700)**	(3,593)
Proceeds from disposal of items of property, plant and equipment		**1,024**	675
Additions to other intangible assets		**(1,950)**	–
Additions to an investment property		**–**	(10,050)
Decrease in a convertible note receivable – loan portion		**23,954**	2,785
Investment in a jointly-controlled entity		**–**	(16,000)
Investments in associates		**(79,595)**	(2,500)
Acquisition of subsidiaries	*38*	**(12,146)**	–
Subscription of a convertible note and subsequently converted to shares of a subsidiary upon acquisition	*38*	**(6,240)**	–
Purchases of available-for-sale investments		**(1,750)**	(30,027)
Disposal of an available-for-sale investment		**3,921**	–
Deposit for purchase of an available-for-sale investment		**–**	(17,050)
Disposal of equity investments at fair value through profit or loss		**20,341**	7,467
Payment for termination of a derivative financial instrument at fair value through profit or loss		**(13,876)**	–
Net cash flows used in investing activities		**(63,772)**	(64,947)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of expenses	*35*	**207,349**	35,215
Increase/(decrease) in discounted bills		**(4,612)**	1,244
Increase/(decrease) in unsecured bank loans		**(53,913)**	18,904
Repayment of bank loan		**–**	(7,314)
Net increase in import and trust receipt loans		**190,223**	44,367
Capital element of finance lease rental payments		**(810)**	(264)
Interest paid		**(10,916)**	(8,652)
Interest element on finance lease rental payments		**(40)**	(69)
Dividend paid		**(36,635)**	(13,991)
Net cash flows from financing activities		**290,646**	69,440
NET INCREASE IN CASH AND CASH EQUIVALENTS		**134,100**	3,052
Cash and cash equivalents at beginning of year		**151,214**	146,329
Effect of foreign exchange rate changes, net		**2,050**	1,833
CASH AND CASH EQUIVALENTS AT END OF YEAR		**287,364**	151,214
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**225,160**	134,395
Non-pledged time deposits with original maturity of less than three months when acquired	*27*	**62,204**	17,421
Cash and cash equivalents as stated in the statement of financial position		**287,364**	151,816
Bank overdrafts	*30*	**–**	(602)
Cash and cash equivalents as stated in the statement of cash flows		**287,364**	151,214

STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**23**	29
Investments in subsidiaries	*18*	**456,299**	298,489
Total non-current assets		**456,322**	298,518
CURRENT ASSETS			
Prepayments	*25*	**106**	5
Cash and bank balances	*27*	**23,582**	570
Total current assets		**23,688**	575
CURRENT LIABILITIES			
Accrued expenses	*28*	**1,494**	2,688
Tax payable		**4,993**	6,986
Total current liabilities		**6,487**	9,674
NET CURRENT ASSETS/(LIABILITIES)		**17,201**	(9,099)
Net assets		**473,523**	289,419
EQUITY			
Issued capital	*35*	**62,056**	46,636
Reserves	*37(b)*	**386,645**	221,849
Proposed final dividend	*12*	**24,822**	20,934
Total equity		**473,523**	289,419

So Yuk Kwan
Director

So Chi On
Director

1. CORPORATE INFORMATION

AV Concept Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, 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;
- Design, development and sale of electronic products; and
- Trading of Light-emitting Diode ("LED") business

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 ("HKICPA"), 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

Basis of consolidation from 1 April 2010

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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation from 1 April 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendment to HKAS 7 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 April 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 investments 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.

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 investment 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 investment 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 investment in a jointly-controlled entity is treated as a non-current asset and is stated at cost less any impairment losses.

Associates

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The Group's investments 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

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

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

An assessment is made at 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.

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% – $33\frac{1}{3}$%
Furniture, fittings and office equipment	20% – $33\frac{1}{3}$%
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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

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 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 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.

Club memberships

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

Trademarks and customer relationship

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

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

Investments and other financial assets

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 investments, 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 amounts due from associates, an amount due from a jointly-controlled entity, trade and bills receivables, deposits and other receivables, 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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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 by 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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, interest-bearing bank borrowings, finance lease payables and derivative financial instrument.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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.

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 outside profit or loss, 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, associates and a jointly-controlled entity, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 transaction 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the 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 benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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:

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. Other intangible assets are tested for impairment annually and at other times when such an 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, ie. its value in use. 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.

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 2011, an impairment loss of HK$4,027,000 (2010: HK$3,921,000) had been recognised for available-for-sale investments. The carrying amount of available-for-sale investments as at 31 March 2011 was HK$1,750,000 (2010: HK$45,924,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade and bills receivables

The Group makes impairment provision for trade and bills receivables based on an assessment of the recoverability of trade receivables. Impairment provision is made for trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade and bills receivables is different from the original estimate, such difference will impact the carrying value of trade and bills receivables and impairment provision in the periods in which such estimate has been changed. The aggregate carrying amount of trade and bills receivables as at 31 March 2011 amounted to HK$237,876,000 (2010: HK$209,889,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2011 was HK$37,729,000 (2010: Nil). Further details are given in note 16 to the financial statements. The carrying amount of goodwill included in investments in associates at 31 March 2011 was HK$67,447,000 (2010: Nil). Further details are given in note 20 to the financial statements.

Impairment of assets (other than goodwill)

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

Useful lives of other intangible assets

The Group amortises its intangible assets with a finite useful life on a straight-line basis over their estimated useful lives. The estimated useful lives reflect the management's estimate of the period that the Group intends to derive future economic benefits from the use of these intangible assets. The carrying amount of intangible assets at 31 March 2011 amounted to HK$26,592,000 (2010: HK$1,567,000).

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the others segment mainly comprises the Group's trading of Light-emitting Diode ("LED") business.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit 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 and a related company, gain on early redemption of a convertible note receivable, rental income, share of profits and losses of associates and a jointly-controlled entity, fair value gains 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, revaluation of a pre-existing investment in an acquired subsidiary to fair value, gain on disposal of items of property, plant and equipment, finance costs and unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted at costs.

4. OPERATING SEGMENT INFORMATION (continued)

	Semiconductor distribution	Consumer electronic product	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2011				
Segment revenue:				
Sales to external customers	2,801,302	105,861	1,962	2,909,125
Intersegment sales	169,606	68,902	122	238,630
	2,970,908	174,763	2,084	3,147,755
Reconciliation:				
Elimination of intersegment sales				(238,630)
Revenue				2,909,125
Segment results	29,249	4,530	(8,915)	24,864
Reconciliation:				
Bank interest income				117
Interest income from debt securities				1,091
Interest income from a convertible note receivable				128
Dividend income from listed investments				409
Management fee income from associates				6,575
Management fee income from a related company				1,385
Gain on early redemption of a convertible note receivable				1,438
Rental income				1,150
Share of profit of a jointly-controlled entity				18,002
Share of profits and losses of associates				(1,493)
Fair value gains on equity investments at fair value through profit or loss, net				110,877
Fair value loss on a derivative financial instrument at fair value through profit or loss				(7,178)
Revaluation of a pre-existing interest in an acquired subsidiary to fair value				5,614
Gain on disposal of items of property, plant and equipment				137
Unallocated expenses				(31,479)
Finance costs				(10,956)
Profit before tax				120,681

4. OPERATING SEGMENT INFORMATION (continued)

	Semiconductor distribution	Consumer electronic product	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2011 (continued)				
Other segment information:				
Depreciation	3,737	132	6	3,875
Unallocated depreciation				1,273
Amortisation of other intangible assets	1,806	2,894	–	4,700
Impairment of trade receivables	347	–	–	347
Capital expenditure	15,523	14,983	8	30,514
Unallocated capital expenditure				2,586
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	43,956	(3,355)	(2,980)	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
Management fee income from a related company				399
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				(26,660)
Finance costs				(8,721)
Profit before tax				50,158

4. OPERATING SEGMENT INFORMATION (continued)

	Semiconductor distribution	Consumer electronic product	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2010 (continued)				
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	12,316	64	12	12,392
Unallocated capital expenditure				3,572

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	HK$'000
Hong Kong	**1,465,650**	1,548,556
Singapore	**1,334,808**	816,429
Korea	**86,568**	11,324
Other countries	**22,099**	81,379
	2,909,125	2,457,688

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

NOTES TO FINANCIAL STATEMENTS

31 March 2011

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2011	2010
	HK$'000	HK$'000
Hong Kong	**157,959**	111,782
Mainland China	**48,870**	41,699
Singapore	**37,605**	33,429
Korea	**104,995**	62,974
	349,429	249,884

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

Information about a major customer

Revenue of approximately HK$275,879,000 (2010: HK$112,663,000) was derived from sales by the semiconductor distribution segment to a single customer.

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	
	2011	2010
	HK$'000	HK$'000
Revenue		
Semiconductor distribution	**2,801,302**	2,389,284
Consumer electronic product	**105,861**	68,404
Others	**1,962**	–
	2,909,125	2,457,688
Other income and gains		
Bank interest income	**117**	297
Interest income from debt securities	**1,091**	724
Interest income from a convertible note receivable	**128**	1,710
Gain on early redemption of a convertible note receivable	**1,438**	–
Dividend income from listed investments	**409**	615
Gain on disposal of items of property, plant and equipment	**137**	329
Management fee income from associates	**6,575**	8,571
Management fee income from a related company	**1,385**	399
Gain on disposal of an available-for-sale investment	**3,921**	–
Others	**3,571**	3,183
	18,772	15,828

6. PROFIT BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold		**2,768,161**	2,325,900
Depreciation:			
Property, plant and equipment	*14*	**4,637**	4,636
Investment property	*15*	**511**	309
		5,148	4,945
Amortisation of other intangible assets*	*17*	**4,700**	39
Impairment/(reversal of impairment) of trade receivables**	*24*	**347**	(208)
Impairment/(reversal of impairment) of slow moving inventories*		**1,408**	(5,948)
Impairment of available-for-sale investments**	*21*	**4,027**	3,921
Minimum lease payments under operating leases in respect of land and buildings		**2,126**	2,393
Auditors' remuneration		**1,726**	1,598
Equity-settled share option expense**	*36*	**–**	2,206
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		**79,496**	61,912
Pension scheme contributions		**2,108**	1,429
		81,604	63,341

6. PROFIT BEFORE TAX (continued)

	Notes	2011 HK$'000	2010 HK$'000
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss		**(110,877)**	(39,918)
A derivative financial instrument at fair value through profit or loss		**7,178**	6,698
Foreign exchange differences, net**		**(5,625)**	3,991
Gain on disposal of items of property, plant and equipment		**(137)**	(329)
Bank interest income		**(117)**	(297)
Interest income from a convertible note receivable		**(128)**	(1,710)
Interest income from debt securities		**(1,091)**	(724)
Gain on early redemption of a convertible note receivable		**(1,438)**	–
Dividend income from listed investments		**(409)**	(615)
Reversal of impairment of items of property, plant and equipment**	14	**–**	(366)
Impairment of an investment in a jointly-controlled entity**		**4,329**	–
Revaluation of a pre-existing interest in an acquired subsidiary to fair value		**(5,614)**	–
Gain on derecognition of financial guarantee obligation **		**(4,329)**	–
Gain on disposal of an available-for-sale investment		**(3,921)**	–

* The balances are included in "Cost of sales" on the face of the consolidated income statement.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2011 HK$'000	2010 HK$'000
Interest on bank loans wholly repayable within five years	**10,916**	8,608
Interest on a mortgage loan	**–**	44
Interest on finance leases	**40**	69
	10,956	8,721

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	
	2011	2010
	HK$'000	HK$'000
Fees	**300**	1,260
Other emoluments:		
Salaries, housing and other allowances, and benefits in kind	**11,735**	10,993
Pension scheme contributions	**513**	369
	12,248	11,362
	12,548	12,622

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	HK$'000
Dr. Hon. Lui Ming Wah, *SBS, JP*	**100**	100
Mr. Charles Edward Chapman	**100**	80
Mr. Wong Ka Kit	**100**	1,080
	300	1,260

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Salaries, housing and other allowances, and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000
2011			
Executive directors:			
Dr. Hon. So Yuk Kwan	6,488	283	6,771
Mr. So Chi On	3,760	218	3,978
Mr. Ho Choi Yan Christopher*	1,487	12	1,499
	11,735	513	12,248
2010			
Executive directors:			
Dr. Hon. So Yuk Kwan	6,315	231	6,546
Mr. So Chi On	3,340	134	3,474
Mr. Lee Jeong Kwan	1,338	4	1,342
	10,993	369	11,362

* Mr. Ho Choi Yan Christopher was appointed as an executive Director on 1 January 2011. Among his total remuneration, HK$1,121,000 represented remuneration for his service before appointment as an executive Director.

There was no other arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: three) non-director, highest paid employees for the year are as follows:

	Group 2011	Group 2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,406**	3,934

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

	Number of employees 2011	Number of employees 2010
HK$1,000,001 to HK$1,500,000	**0**	2
HK$1,500,001 to HK$2,000,000	**2**	1
	2	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 2011	Group 2010
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**4,410**	6,194
Overprovision in prior years	**(2,099)**	(33,115)
Deferred *(note 34)*	**(3,565)**	62
Total tax credit for the year	**(1,254)**	(26,859)

10. INCOME TAX (continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax	**120,681**	50,158
Tax at the applicable rates to profits in the locations concerned	**19,876**	8,276
Profits and losses attributable to a jointly-controlled entity and associates	**(2,724)**	(339)
Overprovision in prior years	**(2,099)**	(33,115)
Income not subject to tax	**(20,391)**	(2,090)
Expenses not deductible for tax	**5,124**	3,387
Tax losses not recognised	**1,513**	2,899
Tax losses utilised from previous periods	**(514)**	(5,414)
Others	**(2,039)**	(463)
Tax credit for the year	**(1,254)**	(26,859)

The share of tax attributable to associates and a jointly-controlled entity amounting to HK$3,554,000 (2010: HK$795,000) and HK$3,250,000 (2010: HK$704,000), respectively, is included in "Share of profits and losses of a jointly-controlled entity and associates" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2011 includes a profit of HK$13,390,000 (2010: HK$36,769,000) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Interim – HK3 cents (2010: HK3 cents) per ordinary share	**15,701**	13,991
Proposed final – HK4 cents (2010: HK4 cents) per ordinary share	**24,822**	20,934
	40,523	34,925

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. *EARNINGS 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 542,310,556 (2010: 433,871,619) 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.

The calculations of basic and diluted earnings per share are based on:

	2011	2010
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**122,473**	77,017

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**542,310,556**	433,871,619
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,902,837**	574,361
	547,213,393	434,445,980

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 2011							
At 31 March 2010 and at 1 April 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
At 1 April 2010, net of accumulated depreciation	37,664	22,436	602	759	618	6,166	68,245
Acquisition of subsidiaries *(note 38)*	–	–	–	324	–	–	324
Additions	–	–	211	529	–	2,375	3,115
Disposals	–	–	(71)	(65)	(427)	–	(563)
Depreciation provided during the year	(997)	(545)	(325)	(447)	(117)	(2,206)	(4,637)
Exchange realignment	–	952	9	130	–	149	1,240
At 31 March 2011, net of accumulated depreciation	36,667	22,843	426	1,230	74	6,484	67,724
At 31 March 2011:							
Cost	43,057	26,152	6,657	6,177	185	14,335	96,563
Accumulated depreciation	(6,390)	(3,309)	(6,231)	(4,947)	(111)	(7,851)	(28,839)
Net carrying amount	36,667	22,843	426	1,230	74	6,484	67,724

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 2010							
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

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements
	HK$'000
31 March 2011	
At 31 March 2010 and at 1 April 2010:	
Cost	30
Accumulated depreciation	(1)
Net carrying amount	29
At 1 April 2010, net of accumulated depreciation	29
Depreciation provided during the year	(6)
At 31 March 2011, net of accumulated depreciation	23
At 31 March 2011:	
Cost	30
Accumulated depreciation	(7)
Net carrying amount	23
31 March 2010	
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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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
31 March 2011			
Freehold	–	9,496	9,496
Medium term leases	43,057	16,656	59,713
	43,057	26,152	69,209
31 March 2010			
Freehold	–	8,525	8,525
Medium term leases	43,057	16,656	59,713
	43,057	25,181	68,238

The net carrying amount of the Group's property, plant and equipment held under finance leases as at 31 March 2011 included the carrying amount of motor vehicles of HK$1,623,000 (2010: HK$1,137,000).

15. INVESTMENT PROPERTY

	2011	2010
	HK$'000	HK$'000
Carrying amount at beginning of year	**22,679**	–
Transfer from deposit for an investment property	**–**	11,864
Additions	**–**	10,050
Depreciation provided during the year	**(511)**	(309)
Exchange realignment	**2,533**	1,074
Carrying amount at end of year	**24,701**	22,679

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

15. INVESTMENT PROPERTY *(continued)*

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 2011 approximates to its revalued amount as at 13 March 2010. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 41(a) to the financial statements.

16. GOODWILL

	Group
	2011
	HK$'000
Carrying amount at beginning of year	–
Acquisition of subsidiaries *(note 38)*	37,729
Carrying amount at end of year	37,729

Goodwill acquired through business combinations has been allocated to the cash-generating unit ("CGU") of semiconductor distribution business for impairment testing.

The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is budgeted growth rate, which is determined based on past performance and management's expectations for the market development.

Management considered that no impairment on goodwill was noted and believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the CGU to exceed its aggregate recoverable amount.

17. OTHER INTANGIBLE ASSETS

Group

	Club memberships	Trademarks	Customer relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2011				
At 31 March 2010 and at 1 April 2010:				
Cost	2,431	59	–	2,490
Accumulated amortisation and impairment	(900)	(23)	–	(923)
Net carrying amount	1,531	36	–	1,567
Cost at 1 April 2010, net of accumulated amortisation and impairment	1,531	36	–	1,567
Acquisition of subsidiaries *(note 38)*	–	–	27,710	27,710
Additions	1,950	–	–	1,950
Amortisation provided during the year	(37)	(6)	(4,657)	(4,700)
Exchange realignment	65	–	–	65
At 31 March 2011	3,509	30	23,053	26,592
At 31 March 2011:				
Cost	4,499	59	27,710	32,268
Accumulated amortisation and impairment	(990)	(29)	(4,657)	(5,676)
Net carrying amount	3,509	30	23,053	26,592

17. OTHER INTANGIBLE ASSETS (continued)

	Club memberships	Trademarks	Customer relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2010				
At 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

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**55,016**	55,016
Due from subsidiaries	**484,875**	302,984
Due to subsidiaries	**(48,182)**	(24,101)
	491,709	333,899
Impairment #	**(35,410)**	(35,410)
	456,299	298,489

An impairment of approximately HK$35,410,000 (2010: 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.

18. INVESTMENTS IN SUBSIDIARIES (continued)

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
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

* Dragon Favour was disposed of subsequent to the end of the reporting period (note 46).

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.

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2011	Group 2010
	HK$'000	HK$'000
Share of net assets	**32,563**	17,061
Financial guarantee provided *(note 32)*	**–**	4,329
Due from/(to) a jointly-controlled entity	**(18,105)**	11,248
	14,458	32,638

The balance with a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance with 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 2011	Percentage of ownership interest attributable to the Group 2010	Principal activity
FLEX Technology Limited*	32,000,000 ordinary shares of HK$1 each	Hong Kong	**50**	50	Trading of electronic components

* Not audited by Ernst & Young, Hong Kong or another 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 accounts:

	2011	2010
	HK$'000	HK$'000
Assets	**91,848**	316,519
Liabilities	**(26,723)**	(282,398)
Revenue	**1,517,450**	410,116
Profit	**36,004**	2,122

20. INVESTMENTS IN ASSOCIATES

	Group 2011	2010
	HK$'000	HK$'000
Share of net assets	**82,204**	30,642
Financial guarantee provided *(note 32)*	**1,262**	1,262
Due from associates	**22,766**	29,877
Goodwill on acquisition	**67,447**	–
	173,679	61,781

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 principal associates are as follows:

Name	Particulars of issued shares/ registered capital held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group 2011	2010	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	**65**	50	Investment holding
Signeo Design International Limited*	2 ordinary shares of HK$1 each	Hong Kong	**–**	50	Trading of electronic products and and eyewear
Memoriki Limited*	100 ordinary shares of HK$1 each	Hong Kong	**50**	50	Software programming
United Benefits Limited*	2,500,000 ordinary shares of HK$1 each	Hong Kong	**49**	50	Trading of electronic components
China Prospect Limited*	5,000,000 ordinary shares of HK$1 each	Hong Kong	**50**	–	Dormant

20. INVESTMENTS IN ASSOCIATES (continued)

Name	Particulars of issued shares/ registered capital held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group 2011	2010	Principal activities
Wavesqaure Inc.*	6,952,432 ordinary shares of KRW500 each	Korea	**31.84**	–	Manufacturing and selling of electronic products

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

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

On 1 April 2010, the Group acquired an additional 1% equity interest in Signeo Design International Limited, a former 50% owned associate, and it became a 51% owned subsidiary of the Group thereafter. Further details of which are set out in note 38 to the financial statements.

Note:

The financial year ends of the above associates are coterminous with that of the Group, except for 桂林九鋪香, United Benefits Limited and Waresquare Inc. 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:

	2011	2010
	HK$'000	HK$'000
Assets	**441,621**	216,049
Liabilities	**(233,311)**	(155,464)
Revenue	**1,000,116**	377,160
Profit/(loss)	**(11,703)**	1,984

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2011	2010
	HK$'000	HK$'000
Unlisted equity investments, at cost	**5,777**	49,845
Impairment *(note 6)*	**(4,027)**	(3,921)
	1,750	45,924

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$4,027,000 (2010: HK$3,921,000) was made for available-for-sale investments with an original carrying value (before impairment) of HK$4,027,000 (2010: HK$3,921,000) because they have been making loss for years and have deficiency in assets at the end of the reporting period. The movements in the impairment provision during the year are as follows:

	Group 2011	2010
	HK$'000	HK$'000
At beginning of year	**3,921**	–
Impairment losses recognised *(note 6)*	**4,027**	3,921
Derecognition on disposal	**(3,921)**	–
At end of year	**4,027**	3,921

22. CONVERTIBLE NOTE RECEIVABLE – LOAN PORTION

At 31 March 2010, 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 bore interest at a rate of 12% per annum.

During the year, on 1 June 2010, the convertible note receivable was fully redeemed by the issuer.

23. INVENTORIES

	Group 2011	2010
	HK$'000	HK$'000
Finished goods	**257,881**	106,355

24. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**239,160**	206,214
Impairment	**(1,284)**	(937)
	237,876	205,277
Bills receivable discounted with recourse *(note 30)*	**–**	4,612
	237,876	209,889

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	
	2011	2010
	HK$'000	HK$'000
Current	**195,986**	148,064
1 to 30 days	**33,436**	53,693
31 to 60 days	**7,031**	727
Over 60 days	**2,707**	3,730
	239,160	206,214

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	
	2011	2010
	HK$'000	HK$'000
Current	**–**	4,612

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

	Group	
	2011	2010
	HK$'000	HK$'000
At beginning of year	**937**	1,294
Impairment losses recognised/(reversed) *(note 6)*	**347**	(208)
Amount written off as uncollectible	**–**	(149)
At end of year	**1,284**	937

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	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**195,986**	148,064
Less than 1 month past due	**33,436**	53,693
1 to 3 months past due	**7,031**	727
3 to 6 months past due	**1,423**	2,793
	237,876	205,277

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.

24. TRADE AND BILLS RECEIVABLES (continued)

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**6,779**	7,101	**106**	5
Deposits and other receivables	**24,534**	30,079	**–**	–
	31,313	37,180	**106**	5
Portion classified as non-current:				
Other deposit	**–**	(17,050)	**–**	–
Current portion	**31,313**	20,130	**106**	5

In the prior year, other deposit represented a deposit for additional acquisition of an available-for-sale investment. Such balance was classified under investment in an associate in the current year.

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.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Managed funds, outside Hong Kong, at market value	**45,397**	57,512
Listed equity investments, at market value:		
Hong Kong	**7,131**	18,962
Elsewhere	**146,237**	8,253
Debt securities, at market value	**24,574**	20,116
	223,339	104,843

The above equity investments at 31 March 2010 and 2011 were classified as held for trading.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**62,204**	17,421	**–**	–
Cash and bank balances	**225,160**	134,395	**23,582**	570
Cash and cash equivalents	**287,364**	151,816	**23,582**	570

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$2,259,000 (2010: HK$2,797,000). 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.

28. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
Current	**133,632**	73,368	**–**	–
1 to 30 days	**27,801**	4,835	**–**	–
31 to 60 days	**459**	348	**–**	–
Over 60 days	**1,193**	1,595	**–**	–
	163,085	80,146	**–**	–
Deposits received	**8,143**	869	**–**	–
Accrued expenses	**20,897**	18,357	**1,494**	2,688
	192,125	99,372	**1,494**	2,688

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 had a common directorship with the Group, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

Name	31 March 2011	Maximum amount outstanding during the year	1 April 2010	Security held
	HK$'000	**HK$'000**	HK$'000	
Signeo International Limited ("SIL")	**–**	**8,527**	5,759	None

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

30. INTEREST-BEARING BANK BORROWINGS

Group	**2011** Effective interest rate	Maturity		2010 Effective interest rate	Maturity	
	(%)		**HK$'000**	(%)		HK$'000
Current						
Import and trust receipt loans – unsecured	**1.76 – 2.86**	**2012**	**505,268**	1.60 – 3.25	2011	308,989
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
Bank loan – unsecured			**–**	1.27 – 1.29	2011	53,913
			505,268			368,116

Note:

At the end of the reporting period, all the Group's bank borrowings bore interest at floating rates. The carrying amounts of the Group's floating rate borrowings approximate to their fair values.

31. FINANCE LEASE PAYABLES

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

At 31 March 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2011**	Minimum lease payments 2010	**Present value of minimum lease payments 2011**	Present value of minimum lease payments 2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**480**	254	**423**	224
In the second year	**480**	254	**423**	224
In the third to fifth years, inclusive	**946**	572	**837**	505
After five years	**345**	–	**305**	–
Total minimum finance lease payments	**2,251**	1,080	**1,988**	953
Future finance charges	**(263)**	(127)		
Total net finance lease payables	**1,988**	953		
Portion classified as current liabilities	**(423)**	(224)		
Non-current portion	**1,565**	729		

As at 31 March 2011, the effective interest rates of the finance lease payables ranged from 4.3% to 5.3% (2010: ranged 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 2011, the fair value of the financial guarantee obligation of the Group amounted to HK$1,262,000 (2010: 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.

33. DERIVATIVE FINANCIAL INSTRUMENT

	2011	2010
	Liability	Liability
	HK$'000	HK$'000
Group		
Interest rate swap	**–**	6,698

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

Under the interest rate swap, the Group would pay interest at 3-month Hong Kong Interbank offer rate ("HIBOR") minus 0.1% while receive 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 would pay interest at a fixed rate of 3.78% based on the notional amount while receive interest calculated on a daily basis at 3-month HIBOR, when 3-month HIBOR was less than or equal to 7%. If 3-month HIBOR was higher than 7%, the Group would 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 in the prior year.

The interest rate swap was early terminated and the fair value loss amounting to HK$7,178,000 was charged to the consolidated income statement in the current year.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group	Depreciation allowance in excess of depreciation	
	2011	2010
	HK$'000	HK$'000
At beginning of year	**231**	169
Acquisition of subsidiaries *(note 38)*	**4,572**	–
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(769)**	62
Exchange realignment	**8**	–
At end of year	**4,042**	231

Deferred tax assets

Group	Recognition of tax losses	
	2011	2010
	HK$'000	HK$'000
At beginning of year	**–**	–
Deferred tax credited to the income statement during the year *(note 10)*	**2,796**	–
At end of year	**2,796**	–

The Group has tax losses arising in Hong Kong of HK$89,577,000 (2010: HK$97,067,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. Deferred tax assets in respect of losses of approximately HK$72,632,000 (2010: HK$97,067,000) have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2011, there was no significant unrecognised deferred tax liability (2010: Nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries or associates.

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

35. SHARE CAPITAL

Shares

	Company	
	2011	2010
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
620,560,419 (2010: 466,360,419) ordinary shares of HK$0.10 each	**62,056**	46,636

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

(a) In the prior year, 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 were used for the Group's business development.

(b) In the prior year, 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.

(c) On 26 May 2010, the Company placed 57,000,000 shares at HK$1.05 per share to six third party placees, resulting in an increase in issued capital and share premium of HK$5,700,000 and HK$54,150,000, respectively.

The proceeds received from the placing of shares, before expenses, of HK$59,850,000 are used for the Group's development of LED business including but not limited to possible increase in investment in Wavesquare Inc.'s LED chips business.

(d) On 17 December 2010, the Company placed 97,200,000 shares at HK$1.62 per share to two third party placees, resulting in an increase in issued capital and share premium of HK$9,720,000 and HK$147,744,000, respectively.

The proceeds received from placing of shares, before expenses, of HK$157,464,000 are used for development of LED business of the Group and general working capital of the Group.

35. SHARE CAPITAL (continued)

Shares (continued)

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

	Number of shares in issue	Issued capital	Share premium account	Equity–settled share-based payment expenses reserve	Total
		HK$'000	HK$'000	HK$'000	HK$'000
At 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 and at 1 April 2010	466,360,419	46,636	191,298	2,660	240,594
Placing of shares	154,200,000	15,420	201,894	–	217,314
Shares placing expenses	–	–	(9,965)	–	(9,965)
At 31 March 2011	620,560,419	62,056	383,227	2,660	447,943

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.

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 non-controlling interests 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.

36. SHARE OPTION SCHEME (continued)

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

	Number of share options										
Name or category of participant	At 1 April 2010	Granted during the year	Lapsed during the year	Exercised during the year	Cancelled during the year	Expired during the year	At 31 March 2011	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options	Company's share price at grant date of share options
								(Note 1)		HK$ per share *(Note 2)*	HK$ per share *(Note 3)*
Director											
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	3,500,000	–	–	–	–	–	3,500,000				
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	12,820,000	–	–	–	–	–	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.

36. SHARE OPTION SCHEME (continued)

	2011 Weighted average exercise price	**2011** Number of options	2010 Weighted average exercise price	2010 Number of options
	HK$ per share	**'000**	HK$ per share	'000
At beginning of year	**0.87**	**12,820**	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)
At end of year	**0.87**	**12,820**	0.87	12,820

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

2011

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		

36. SHARE OPTION SCHEME (continued)

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		

* 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.

In the prior year, the fair value of the share options granted to two independent third parties 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 dates 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.

In the prior 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(b) 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 2.1% of the Company's shares in issue as at that date.

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 pages 38 and 39 of the financial statements.

(b) Company

	Notes	Share premium account	Equity–settled share-based payment expenses reserve	Capital redemption reserve	Retained profits/ (accumulated losses)	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009		160,807	1,114	14,397	11,650	187,968
Total comprehensive income 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	*12*	–	–	–	(20,934)	(20,934)
At 31 March 2010 and at 1 April 2010		191,298	2,660	14,397	13,494	221,849
Total comprehensive income for the year	*11*	–	–	–	13,390	13,390
Placing of shares		201,894	–	–	–	201,894
Shares placing expenses		(9,965)	–	–	–	(9,965)
Interim 2011 dividend	*12*	–	–	–	(15,701)	(15,701)
Proposed final 2011 dividend	*12*	–	–	–	(24,822)	(24,822)
At 31 March 2011		383,227	2,660	14,397	(13,639)	386,645

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

38. ACQUISITION OF SUBSIDIARIES

On 1 April 2010, the Group acquired an additional 1% equity interest in a former associate, Signeo Design International Limited ("SDI"), at a cash consideration of HK$100,000, and SDI has become a non-wholly-owned subsidiary of the Group. The principal activity of SDI is trading of consumer electronic product.

On 4 August 2010, the Group acquired all equity interests in Ditec Company Limited ("Ditec") at a cash consideration of HK$28,000,000. The principal activity of Ditec is trading of electronic components.

On 22 March 2011, the Group acquired 75% equity interest in SIL by exercising a convertible note for 300,007 shares at conversion price of US$2.6666 per share. The principal activity of SIL is trading of consumer electronic product.

The faire values of the identifiable assets and liabilities as at the date of acquisition were as follows:

		Fair value recognised on acquisition
	Notes	HK$'000
Net assets acquired:		
Property, plant and equipment	*14*	324
Available-for-sale investments		1,900
Equity investments at fair value through profit or loss		60
Investments in associates		6,581
Inventories		6,800
Trade and other receivables		27,143
Amounts due from former shareholders		9,266
Cash and bank balances		6,688
Amounts due to fellow subsidiaries		(30,203)
Trade and other payables		(51,480)
Intangible assets in relation to customer relationship	*17*	27,710
Deferred tax liabilities	*34*	(4,572)
Total identifiable net assets at fair value		217
Non-controlling interests		699
Goodwill on acquisition	*16*	37,729
		38,645
Fair value of equity interest previously held as investments in associates		(4,305)
		34,340
Satisfied by cash		28,100
Satisfied by conversion of a convertible note		6,240
		34,340

38. ACQUISITION OF SUBSIDIARIES (continued)

The fair values of trade and other receivables as at the date of acquisition amounted to HK$27,143,000. The gross contractual amount of trade and other receivables was HK$27,143,000, of which none of the above balances are expected to be uncollectible.

	HK$'000
An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:	
Cash consideration	(28,100)
Repayment of amounts due from former shareholders	9,266
Cash and bank balances acquired	6,688
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,146)

Since its acquisition, the acquired subsidiaries contributed HK$238,781,000 to the Group's turnover and HK$8,278,000 to the consolidated profit for the year ended 31 March 2011.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$3,184,254,000 and HK$125,199,000, respectively.

The Group incurred transaction costs of HK$330,000 for these acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, a deposit for acquisition of an available-for-sale investment of HK$17,050,000 was transferred to investments in associates.

During the year, the Group's investments in available-for-sale investments of HK$43,797,000 were transferred to investments in associates and equity investments at fair value through profit or loss of HK$15,897,000 and HK$27,900,000, respectively.

During the year, the decrease in investment in a jointly-controlled entity amounted to HK$4,329,000 was attributable to the derecognition of financial guarantee obligation of HK$4,329,000 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 lease of HK$1,739,000 (2010: HK$880,000).

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

In the prior year, the increase in an investment in a jointly-controlled entity and investments 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.

40. CONTINGENT LIABILITIES

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of facilities granted to subsidiaries	**–**	–	**1,991,735**	1,065,172
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	**166,150**	116,250	**166,150**	116,250
	166,150	579,350	**2,157,885**	1,644,522

As at 31 March 2011, the bank lending facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$506,126,000 (2010: HK$368,116,000).

As at 31 March 2011, the bank lending facilities granted to a jointly-controlled entity and an associate subject to cross-guarantees given to the banks by the Company and certain subsidiaries were utilised to the extent of nil (2010: HK$130,122,000) and approximately HK$131,595,000 (2010: HK$37,950,000), 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 of the Group amounted to HK$1,262,000 (2010: HK$5,591,000) as a liability as at 31 March 2011 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.

41. 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**142**	1,093
In the second to fifth years, inclusive	**–**	389
	142	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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**1,754**	1,291
In the second to fifth years, inclusive	**1,991**	275
	3,745	1,566

At 31 March 2011, the Company had no operating lease arrangements (2010: Nil).

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	
		2011	2010
	Notes	**HK$'000**	HK$'000
Associates:			
Sales of products	*(i)*	**–**	39,763
Purchases of products	*(i)*	**98**	4,735
Management fee income	*(ii)*	**6,330**	8,571
Handling charges	*(iii)*	**653**	695
Jointly-controlled entity:			
Purchases of products	*(i)*	**88,726**	263
Management fee income	*(ii)*	**245**	964
Interest income	*(vi)*	**153**	–
Related companies:			
Sales of products	*(iv)*	**297**	393
Purchases of products	*(v)*	**8,140**	563
Management fee income	*(ii)*	**1,385**	399

Notes:

(i) The sales and purchases with the associates and a jointly-controlled entity were made according to the cost of products.

(ii) The management fee income was charged 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 at amounts mutually agreed between the parties (2010: 2% of the transaction value from April 2009 to December 2009 and 1% from January 2010 to March 2010).

(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) Interest income was charged at prevailing market rates on a certain balance with a jointly-controlled entity during the year.

42. RELATED PARTY TRANSACTIONS (continued)

(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.

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:

2011

Financial assets

		Group			
		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	*20*	22,766	–	–	22,766
Available-for-sale investments	*21*	–	–	1,750	1,750
Trade and bills receivables	*24*	237,876	–	–	237,876
Financial assets included in prepayments, deposits and other receivables	*25*	24,534	–	–	24,534
Equity investments at fair value through profit or loss	*26*	–	223,339	–	223,339
Cash and cash equivalents	*27*	287,364	–	–	287,364
		572,540	223,339	1,750	797,629

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)

2011 *(continued)*

Financial liabilities

		Financial liabilities at amortised cost
	Notes	HK$'000
Due to a jointly-controlled entity	*19*	18,105
Trade payables	*28*	163,085
Interest-bearing bank borrowings	*30*	505,268
Finance lease payables	*31*	1,988
Financial guarantee obligation	*32*	1,262
		689,708

2010

Financial assets

		Group			
		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 a jointly-controlled entity	*19*	11,248	–	–	11,248
Due from associates	*20*	29,877	–	–	29,877
Due from a related company	*29*	5,759	–	–	5,759
Available-for-sale investments	*21*	–	–	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

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)

2010 *(continued)*

Financial Liabilities

	Notes	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Financial liabilities at amortised cost	Total
		HK$'000	HK$'000	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

Financial assets

	Notes	Company 2011 Loans and receivables	2010 Loans and receivables
		HK$'000	HK$'000
Due from subsidiaries	18	**484,875**	302,984
Cash and bank balances	27	**23,582**	570
		508,457	303,554

Financial liability

	Notes	Financial liability at amortised cost	Financial liability at amortised cost
		HK$'000	HK$'000
Due to subsidiaries	18	**48,182**	24,101

44. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from a jointly-controlled entity	**–**	11,248	**–**	11,248
Due from associates	**22,766**	29,877	**22,766**	29,877
Due from a related company	**–**	5,759	**–**	5,759
Convertible note receivable – loan portion	**–**	22,516	**–**	22,516
Trade and bills receivables	**237,876**	209,889	**237,876**	209,889
Financial assets included in prepayments, deposits and other receivables	**24,534**	30,079	**24,534**	30,079
Equity investments at fair value through profit or loss	**223,339**	104,843	**223,339**	104,843
Cash and cash equivalents	**287,364**	151,816	**287,364**	151,816
	795,879	566,027	**795,879**	566,027
Financial liabilities				
Due to a jointly-controlled entity	**18,105**	–	**18,105**	–
Trade payables	**163,085**	80,146	**163,085**	80,146
Interest-bearing bank borrowings	**505,268**	368,116	**505,268**	368,116
Finance lease payables	**1,988**	953	**1,988**	953
Financial guarantee obligation	**1,262**	5,591	**1,262**	5,591
Derivative financial instrument	**–**	6,698	**–**	6,698
	689,708	461,504	**689,708**	461,504

44. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: (continued)

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from subsidiaries	**484,875**	302,984	**484,875**	302,984
Cash and bank balances	**23,582**	570	**23,582**	570
	508,457	303,554	**508,457**	303,554
Financial liabilities				
Due to subsidiaries	**48,182**	24,101	**48,182**	24,101

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and investments in associates and a jointly-controlled entity, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

44. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Assets measured at fair value:

Group

As at 31 March 2011:

	Level 1	**Level 2**	**Total**
	HK$'000	HK$'000	HK$'000
Available-for-sale investments	–	1,750	1,750
Equity investments at fair value through profit or loss	223,339	–	223,339
	223,339	1,750	225,089

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

44. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Liability measured at fair value:

Group

As at 31 March 2011:

	Level 1	**Level 2**	**Total**
	HK$'000	HK$'000	HK$'000
Derivative financial instrument	–	–	–

As at 31 March 2010:

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

The Company did not have any financial assets measured at fair value as at 31 March 2011 and 31 March 2010.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

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.

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 floating interest rates.

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 before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
2011		
Hong Kong dollar	10	(507)
Hong Kong dollar	(10)	507

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

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.

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 a 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 40 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

			2011		
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Over 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to a jointly-controlled entity	18,105	–	–	–	18,105
Trade payables *(note 28)*	163,085	–	–	–	163,085
Interest-bearing bank borrowings	507,009	–	–	–	507,009
Finance lease payables *(note 31)*	480	480	946	345	2,251
Financial guarantee obligation	1,262	–	–	–	1,262
	689,941	480	946	345	691,712

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

Liquidity risk (continued)

	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**	**Over 5 years**	**Total**
	HK$'000	HK$'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

Company

	2011 Within 1 year or on demand	2010 Within 1 year or on demand
	HK$'000	HK$'000
Due to subsidiaries	**48,182**	24,101
Guarantees given to banks in connection with facilities granted to subsidiaries, a jointly-controlled entity and associates	**637,721**	536,188
	685,903	560,289

Capital management

The primary objectives of the Group's capital management are 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 2011 and 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

	2011	2010
	HK$'000	HK$'000
Interest-bearing bank borrowings	**505,268**	368,116
Finance lease payables	**1,988**	953
Less: Cash and cash equivalents	**(287,364)**	(151,816)
Less: Equity investments at fair value through profit or loss	**(223,339)**	(104,843)
Net debt/(surplus)	**(3,447)**	112,410
Total capital	**679,267**	381,077
Gearing ratio	**N/A**	30%

46. EVENT AFTER THE REPORTING PERIOD

On 31 May 2011, New Concept, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party, Guangzhou Boqin Web Technology Company Limited ("Guangzhou Boqin"), pursuant to which Guangzhou Boqin agreed to purchase, and New Concept agreed to sell, the entire equity interests in Dragon Favour, for a total consideration of approximately HK$48,797,000 (equivalent to RMB40,800,000). Further details of this transaction were set out in the announcement of the Company dated 31 May 2011.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 June 2011.