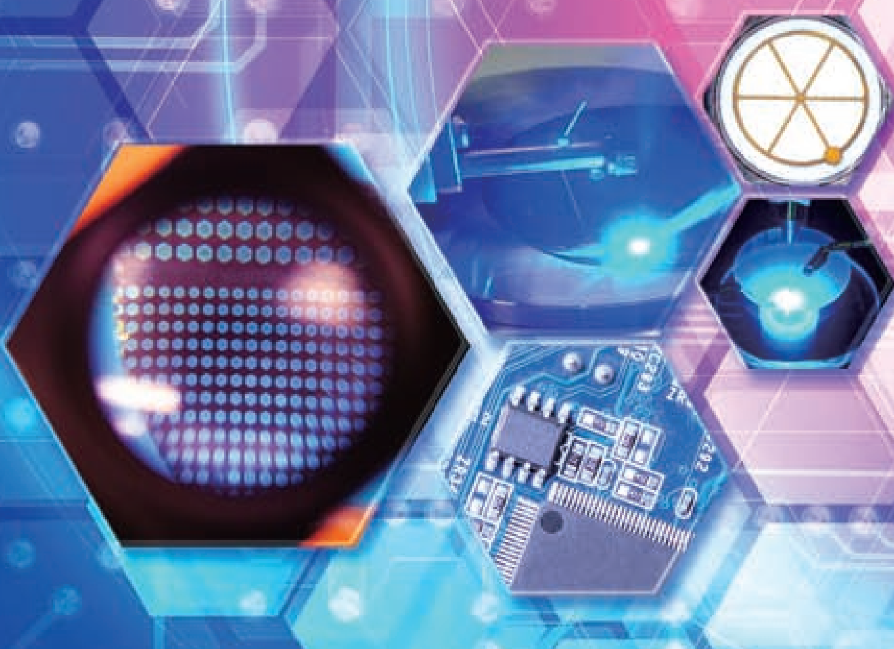
AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 595



ANNUAL REPORT 2012

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FINANCIAL HIGHLIGHTS

	2012 HK$'million	2011 HK$'million (Restated)	2010 HK$'million (Restated)	2009 HK$'million	2008 HK$'million
Revenue					
– Semiconductor distribution	**3,064.3**	2,801.3	2,389.3	1,958.4	2,845.1
– Consumer electronic product	**278.9**	105.8	68.4	54.9	63.5
– LED	**23.3**	2.0	–	–	–
– Jointly-controlled entity	**–**	–	–	–	15.4
	3,366.5	2,909.1	2,457.7	2,013.3	2,924.0
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items					
– Corporate	**(20.4)**	67.2	17.5	(71.6)	(2.6)
– Semiconductor distribution	**61.5**	50.4	45.5	26.0	27.0
– Consumer electronic product	**10.3**	19.5	2.4	(1.0)	1.5
– LED	**(14.8)**	5.4	(1.9)	–	–
– Jointly-controlled entity	**–**	–	–	–	(2.7)
	36.6	142.5	63.5	(46.6)	23.2
Depreciation and amortisation	**(13.1)**	(9.3)	(4.6)	(4.9)	(7.5)
Profit/(loss) for the year attributable to					
– Owners of the Company	**2.4**	123.6	76.8	(66.3)	4.3
– Non-controlling interests	**(1.9)**	(0.5)	–	–	–
	0.5	123.1	76.8	(66.3)	4.3
Dividends					
– Interim	**6.1**	15.7	14.0	–	8.6
– Proposed final	**–**	24.8	20.9	–	4.2
	6.1	40.5	34.9	–	12.8
Earnings/(loss) per share (HK cents)	**0.39**	22.8	17.7	(16.0)	1.0
Dividends per share (HK cents)					
– Interim	**1.0**	3.0	3.0	–	2.0
– Proposed final	**–**	4.0	4.0	–	1.0
	1.0	7.0	7.0	–	3.0

FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
		(Restated)	(Restated)		
Total assets	**1,443.4**	1,388.1	871.0	765.2	971.8
Total assets less current liabilities	**692.5**	685.8	388.5	282.0	360.1
Total equity	**634.7**	680.2	380.9	276.7	352.1
Bank debts	**579.0**	507.3	369.1	309.3	437.0
Cash and cash equivalents	**166.5**	287.4	151.8	146.3	121.4
Equity investments at fair value through profit or loss	**111.1**	223.3	104.8	72.4	174.4
Cash and cash equivalents and equity investments	**277.6**	510.7	256.6	218.7	295.8
Total debt to total equity (%)	**91%**	75%	97%	112%	124%
Current assets to current liabilities (%)	**127%**	148%	129%	130%	136%
Cash and cash equivalents and equity investments per share (HK$)	**0.46**	0.82	0.55	0.53	0.71
Total equity per share (HK$)	**1.05**	1.10	0.82	0.67	0.85
Revenue to property, plant and equipment (x)	**25.7**	43.0	36.0	29.8	41.4
Revenue to inventories (x)	**11.4**	11.3	23.1	12.8	11.6
Revenue to trade receivables (x)	**12.4**	12.2	11.7	9.4	11.5
Revenue to trade payables, deposits received and accrued expenses (x)	**16.0**	15.1	24.7	14.8	20.3
Revenue to bank debts (x)	**5.8**	5.7	6.7	6.5	6.7

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

Independent Non-Executive Directors

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

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Ho Choi Yan Christopher

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

REGISTERED OFFICE

P. O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND 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

AUDITORS

Ernst & Young

CAYMAN ISLANDS SHARE REGISTRAR

HSBC Bank (Cayman) Limited
68 West Bay Road
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

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

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 595
Board lot: 2000 shares
Financial year end: 31 March
Share price at 31 March 2012: HK$0.64
Market capitalization at 31 March 2012: HK$387 million

WEBSITE ADDRESS

www.avconcept.com

Chairman's Statement

A Commitment to Deliver Quality

CHAIRMAN'S STATEMENT

Dr. Hon. So Yuk Kwan
Chairman

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I present the annual results of AV Concept Holdings Limited ("AV Concept" or the "Company") together with its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012.

Over the past year, the consumer electronics industry continued to be clouded by weak consumption sentiment, the result of poor economic conditions in Europe and the United States, compounded by natural disaster that struck Japan. Nevertheless, our solid business foundation backed by effective strategies helped ensure that the Group's three core businesses of consumer electronic products, semiconductor distribution and LED achieved satisfactory results.

By year end, our turnover soared from HK$2,909.1 million to HK$3,366.5 million. Gross profit surged by 86.4% to HK$260.2 million (2011: HK$139.6 million) resulting from sales increases from our consumer electronic products and semiconductor distribution businesses. Gross profit margin also rose, owing to our commitment to possessing our own brands and moving businesses upstream where higher prices can be commanded. However, an accounting book loss of HK$20.4 million was incurred, mainly due to a fair value loss from the Group's equity shareholdings in Accupix Inc. (056730: KQ, "Accupix"). We have disposed shares in Accupix at a total consideration of approximately HK$104.6 million to the market during the year. Net proceeds received from this disposalare approximately HK$47.3 million, which marked a 1.2-time increase comparing to the original acquisition price. As well, it allowed us to focus on the businesses with greater potential.

In the past year, the consumer electronic product business continued to achieve encouraging results. Capitalising on the SOUL by Ludacris® brand that was launched in early 2011, the product line which combines exceptional sound quality with stylish design has continued to win over customers around the world. Aiding such growth has been an enhanced partnership that has allowed the brand to better penetrate key markets, including the USA, Canada, Mainland China and South Korea. Our close collaboration with renowned international athletes such as Usain Bolt, Cesc Fabregas and Dwight Howard, which are the brand's spokespersons, further aided our entry into such new markets as the European Union, South Africa and India. We are confident that this product line will be our major revenue stream in the years to come.

Serving as our major income stream is the semiconductor distribution business. Over the past financial year we have sought to bolster this area of activity by enhancing distribution channels. In July 2011, we acquired the entire issued shares of People & Semiconductor Co., Ltd. which is principally engaged in distributing the products of Fairchild Semiconductor International Inc. By January 2012, we increased our share subscription in AVP Electronics Limited, a jointly-controlled entity of the Company that is mainly involved in the trading and distribution of semiconductors and electronic components. Through such efforts, we trust that this business will continue delivering favourable returns. It is worth noting that in the light of increasing demand for energy-saving electronic components, this will be an area that will receive greater research as we seek to introduce more new green products.

CHAIRMAN'S STATEMENT

In respect of the LED business, an exceptional ten-fold surge in revenue was achieved by Wavesquare Inc. and its LED solutions – a direct result of rapid urbanisation and a thriving real estate market in Mainland China. The solid performance also mirrors a global trend in which demand for lighting products is forecasted to grow from US$29 billion in 2008 to US$39 billion by 2014 – a CAGR of 5%. With China's 12th Five-Year Plan promoting LED lighting usage over its less energy efficient incandescent counterpart, such factors should bode well for our LED business. Fittingly, we have enhanced production capacity, which, coupled with stringent cost control measures, will stand us in good stead for future growth.

Despite global economic conditions set to remain lacklustre, our strong product portfolio, the highlight of which includes the SOUL by Ludacris® product line and growing number of environmentally friendly products, are fully in step with market and consumer demand. We therefore maintain a cautiously optimistic outlook towards the immediate future.

Acknowledgement

I would like to take this opportunity to extend my appreciation to the Board and management team for their unstinting dedication to the development of the Group over the past year. I wish to also express my gratitude to the entire workforce for their diligence and invaluable support. Through a commitment to excellence and the realisation of the Group's comprehensive strategies, I trust that we will realise further successes and deliver fair returns to our shareholders.

So Yuk Kwan
Chairman

Hong Kong
20 June 2012

Management
Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

The following sets out the financial highlights for the year ended 31 March 2012, with the comparative figures for the corresponding financial year of 2011.

	2012	2011
	HK$'000	HK$'000 (Restated)
Revenue		
Semiconductor distribution	**3,064.3**	2,801.3
Consumer electronic product	**278.9**	105.8
LED	**23.3**	2.0
	3,366.5	2,909.1
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**(20.4)**	67.2
Semiconductor distribution	**61.5**	50.4
Consumer electronic product	**10.3**	19.5
LED	**(14.8)**	5.4
	36.6	142.5
Depreciation and amortisation		
Corporate	**(1.4)**	(0.8)
Semiconductor distribution	**(8.1)**	(5.5)
Consumer electronic product	**(3.6)**	(3.0)
LED	**(0.0)**	(0.0)
Total depreciation and amortisation	**(13.1)**	(9.3)
Non-cash item	**(0.4)**	(0.4)
	(13.5)	(9.7)
Profit before interest and tax	**23.1**	132.8
Interest expenses	**(17.8)**	(11.0)
Profit before tax	**5.3**	121.8
Income tax	**(4.8)**	1.3
Profit for the year	**0.5**	123.1

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Unanticipated challenges emerged and hit the industry in 2011. Global consumer confidence was weakened by the economic turmoil brought about by the European sovereign debt crisis and the uncertain US economy. The earthquake and tsunami in Japan has also temporarily disrupted the international electronics components supply chain. Nonetheless, our established operational foundation and successful business strategies have enabled AV Concept to achieve satisfactory results in its three core businesses of consumer electronic products, semiconductor distribution and LED businesses while enlarging its geographical footprint. For the year ended 31 March 2012, the Group's turnover soared from HK$2,909.1 million to HK$3,366.5 million. Gross profit surged by 86.4% to HK$260.2 million (2011: HK$139.6 million) mainly attributed to improvement in sales from the semiconductor distribution and consumer electronics businesses both driven by the increasing popularity of smart phones and other mobile devices in the world. The Group's strategies of owning its brands and moving its businesses upstream enabled it to command higher prices for its innovative quality products, consequently achieving a higher gross profit margin of 7.7% (2011: 4.8%).

However, there was an accounting book loss of HK$20.4 million in the Group's Corporate EBITDA, mainly due to the fair value loss of the Group's equity shareholdings on Accupix Inc. (056730: KQ, "Accupix") listed on the Korean Securities Dealers Automated Quotations, a trading board of the Korean Exchange ("KOSDAQ"). As a result, the overall Group's EBITDA dropped to HK$36.6 million and net profit was HK$0.5 million (2011: HK$123.1 million) for the year ended 31 March 2012. To rationalise its strategic investment in Accupix as well as other resources and focus on businesses with greater growth potential, the Group has disposed of shares in Accupix at a total consideration of approximately HK$104.6 million to the market during the year. With reference to its initial investment in Accupix, net proceeds received from the disposal are approximately HK$47.3 million, representing a rise of 120% from the original acquisition price.

Consumer Electronic Product Business

Advanced new portable gadgets such as smart phones, e-books and tablet computers are increasing in popularity which in turn drives demand for associated peripheral electronic products, for example, high-end Bluetooth headsets and related accessories. By riding this favourable global trend, turnover of the consumer electronic product business rose significantly by 163.6% to HK$278.9 million (2011: HK$105.8 million), 8.2% of the Group's total revenue, mainly derived from the new sales of its successful brand SOUL by Ludacris®.

Collaborating with the Grammy-winning and globally renowned artist, Chris "Ludacris" Bridges, this new line has enjoyed an overwhelming response in the market since its worldwide debut in early 2011 due to its unique combination of the superior sound quality of a professional headphone and its stylish design. During the year, the Group strategically introduced the product line through distribution partnerships within major target markets, including the USA, Canada, Mainland China and South Korea, thus further expanding its footprint. Launching an innovative marketing campaign, the Group has further collaborated with celebrity musicians and athletes such as the Jamaican Olympic gold medallist Usain Bolt, Spanish international footballer Cesc Fabregas and NBA superstar Dwight Howard as the brand's ambassadors, to pave the way to new markets including the European Union, South Africa and India in 2012. Propelled by the celebrity spotlight, SOUL by Ludacris® has firmly established its brand image and further bolstered its global presence as the diversification of its customer base gains momentum. The Group is confident that this product line will become a key revenue driver in the foreseeable future and is committed to devote more marketing efforts to solidify its foundation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Semiconductor Distribution Business

The popularity of advanced new portable gadgets drove a stronger demand for semiconductor products used in consumer electronic products during the year. As a result, the Group's semiconductor distribution business achieved a notable growth in turnover of 9.4% to HK$3,064.3 million, representing 91% of the Group's total revenue.

For this business segment, the key strategies of the Group have consistently been to broaden the distribution network, diversify the product mix and expand the customer base. During the year, it has fortified its semiconductor distribution business through share subscription in companies with extensive distribution networks. In July 2011, the Group has fully acquired the entire issued shares of People & Semiconductor Co., Ltd. ("P&S"), a Korean company principally engaged in the distribution business of semiconductor products of Fairchild Semiconductor International Inc. ("Fairchild Semiconductor"), in Korea. Furthermore, in January 2012, the Group has increased its share subscription in the Group's jointly-controlled entity, AVP Electronics Limited, which is primarily engaged in the trading of semiconductors and electronic components. With this extended semiconductor distribution network in place, this business segment is expected to sustain steady growth in the coming year.

In view of the increasing global trend of power conversion efficiency and saving energy, AV Concept will focus its resources in developing this business by delivering more new green products. This direction is aimed at strengthening its competitiveness and building a more profitable product portfolio, and, ultimately, improving the Group's overall performance.

LED Business

The rapid urbanisation and subsequently thriving development of real estate in the PRC has spurred rapid growth of the general lighting market. Driven by encouraging orders received from LED packaging companies in the PRC, the Group's wholly-owned subsidiary Wavesquare (China) Limited and its LED solutions have made strides in the business of this segment with a ten-fold growth surge, reaching HK$23.3 million for the year ended 31 March 2012.

The global lighting industry is driven by the increasing demand for lamps and lighting products in both urbanised and rapidly urbanising markets. According to Freedonia market research, the global demand for lamp products will grow from US$29 billion in 2008 to US$39 billion in 2014, a CAGR of 5%, primarily contributed by the enormous demand for lighting from the USA, China, Japan and Europe. Just as important, China's 12th Five Year Plan (12th FYP) for the 2011-2015 period announced the promotion of LED lighting to replace high energy consuming incandescent illuminating by 2016. All these factors are favourable to the Group's business direction of advancing technology through green and environmentally-friendly electronic components. Coupled with the expanded production capacity, stringent cost control measures and the rising market demand for LEDs, the sector is expected to turn around in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Current economic conditions present both challenges and opportunities to the consumer electronics industry. Only products which deliver real value will be successful. AV Concept is determined to focus on strategies within its core businesses that enhance its competitiveness and profitability, and will also closely monitor market trends to develop products that satisfy consumers' needs and incorporate the latest technologies available.

Over the years, the Group has successfully established a unique differentiation for its high definition headphones under the SOUL by Ludacris® brand through the superior sound quality with a distinctive flair for self-expression and individual style. Following penetration of new markets including the European Union and South Africa, the Group is striving to lay a foundation for future business development through a range of marketing activities to amplify the brand image and extend its reach across the international market in terms of coverage and sales. This product segment is set to be the Group's principal growth driver in the coming years.

Regarding its semiconductor distribution business, the Group will continue to leverage its diversified product portfolio, established distribution network and extensive clientele to achieve steady growth. Noting the rising public concern about energy conservation, the Group plans to engage in the business of more green and energy-saving electronic components as a way to protect the environment.

To further tap the LED industry, the Group has conditionally agreed to acquire approximately 20.28% of the issued shares in Nitgen&Company Co., Ltd. ("Nitgen"), a Korean company listed on KOSDAQ, at a total consideration of approximately HK$88.44 million in May 2012. Nitgen has developed LED segment with good development prospects and potential synergy with the Group's LED business. AV Concept is continuing to explore and evaluate business opportunities between Nitgen and its current core businesses through restructuring. The acquisition is in line with the Group's development strategy which enables the Group to plan ahead in broadening its product range towards downstream products, for example, LED light bulbs, general lighting and street lamps.

By continuing to closely monitor developments in the market and technological trends, AV Concept's management team will make every effort to strongly position the Group to capture fresh opportunities, paving the way for long-term growth.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 31 March 2012 and the corresponding gearing ratio are shown as follows:

	2012	2011
	HK$'000	HK$'000 (Restated)
Bank debts	**579.0**	507.3
Cash and cash equivalents	**166.5**	287.4
Equity investments at fair value through profit or loss	**111.1**	223.3
Cash and cash equivalents and equity investments	**277.6**	510.7
Total equity	**634.7**	680.2
Total debt to total equity	**91%**	75%

As at 31 March 2012, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK$166.5 million (2011: HK$287.4 million), while the Group's equity investments at fair value through profit or loss amounted to HK$111.1 million (2011: HK$223.3 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 31 March 2012 was 91% (2011: 75%), while the Group's total equity as at 31 March 2012 was HK$634.7 million (2011: HK$680.2 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2012 of HK$277.6 million (2011: HK$510.7 million).

The working capital position of the Group remains healthy. As at 31 March 2012, the liquidity ratio was 127% (2011: 148%).

	2012	2011
	HK$'000	HK$'000
Current assets	**950.2**	1,037.8
Current liabilities	**(750.9)**	(702.4)
Net current assets	**199.3**	335.4
Current assets to current liabilities (%)	**127%**	148%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

EMPLOYEES

As at 31 March 2012, the Group employed a total of approximately 260 (2011: approximately 230) 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.

Profile of Directors and Senior Management

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Hon. So Yuk Kwan, aged 62, is the founder, Chairman and Executive Director of the Company. In the early 1980's, he founded AV Concept Limited. Dr. So is primarily responsible for overall business strategies and business development to the Company. Dr. So has over 36 years of experience in the electronics industry. Under his leadership, AV Concept achieved remarkable results in the sales and marketing of semiconductors contributing to the appointment by Samsung Electronics as its distributor since 1982. In 1989, AV Concept Singapore Pte. Ltd. was established to develop its electronic business in Singapore, South-east Asia countries and subsequently expand to the market in PRC through vertical integration in early 90's. In April 1996, AV Concept Holdings Limited listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Group continuously received numerous awards, including Samsung Electronics's and Fairchild Semiconductor Corporation's "Best Performance Award" in recognition of the excellent sales and marketing performance as well as contribution to cultivate strong customers relationship in the semiconductors market.

Dr. So holds an honorary degree, Doctor of Philosophy in Business Administration from the International American University and a Master Degree in Business Administration from the University of East Asia (now known as University of Macau) and he is also a Fellow Member of the British Institute of Management. Presently, he is the Vice Chairman of the Executive Committee and the Chairman of both of the External Affairs Sub-Committee and HKEIA Education Fund of The Hong Kong Electronic Industries Association. Dr. So is also the Vice President of The Hong Kong Semiconductor Industry Council. Further, Dr. So is a Fellow Member of The Hong Kong Institute of Directors, the Honorary Chairman of Advisory Committee (Industry) of Cooperative Education Centre of City University of Hong Kong and a Fellow Member of CEO Club of The Hong Kong Polytechnic University. In addition, Dr. So received Glorious Chinese 2009 from Glorious China Association in 2010. Dr. Hon. So Yuk Kwan is the father of Mr. So Chi On.

For years, Dr. So is full of enthusiasm to participate in public-spirited and charitable activities. He serves as the Vice Chairman of Yan Oi Tong The 33rd Term of board of Directors. He has devoted his time with his great efforts in helping the needy in the community. With his passion on various charitable activities, the setup of the HKEIA education fund helps the children get a chance for study and enhance their level of education in poverty-stricken areas in PRC.

Mr. So Chi On, aged 35, is the Chief Executive Officer and Executive Director of the Company. Mr. So is responsible for the overall corporate strategies 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 has over 13 years of experience in corporate and financial management. 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 38, was appointed as an Executive Director of the Company in January 2011. Mr. Ho is also the Chief Financial Officer and Company Secretary of the Company. Mr. Ho joined the Group in 2006 and has over 17 years of experience in finance, accounting and taxation. Mr. Ho obtained a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University. Mr. Ho 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hon. Lui Ming Wah, *SBS*, *JP*, aged 74, 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 63, 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 35, 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.

SENIOR MANAGEMENT

Mr. Kweon Jong Keun, aged 48 is the President of AV Concept Limited, a subsidiary of the Company. Mr. Kweon joined the Group in 2006 and he has over 23 years of 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. Choi Joon Yun, aged 48, was appointed as the President and Chief Executive Officer of AV Concept Limited, a subsidiary of the Company from 2006-2011. Mr. Choi currently is the President and Chief Executive Officer of AVP Electronics Limited, a jointly-controlled entity of the Company in January 2012. Mr. Choi has over 23 years of 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.

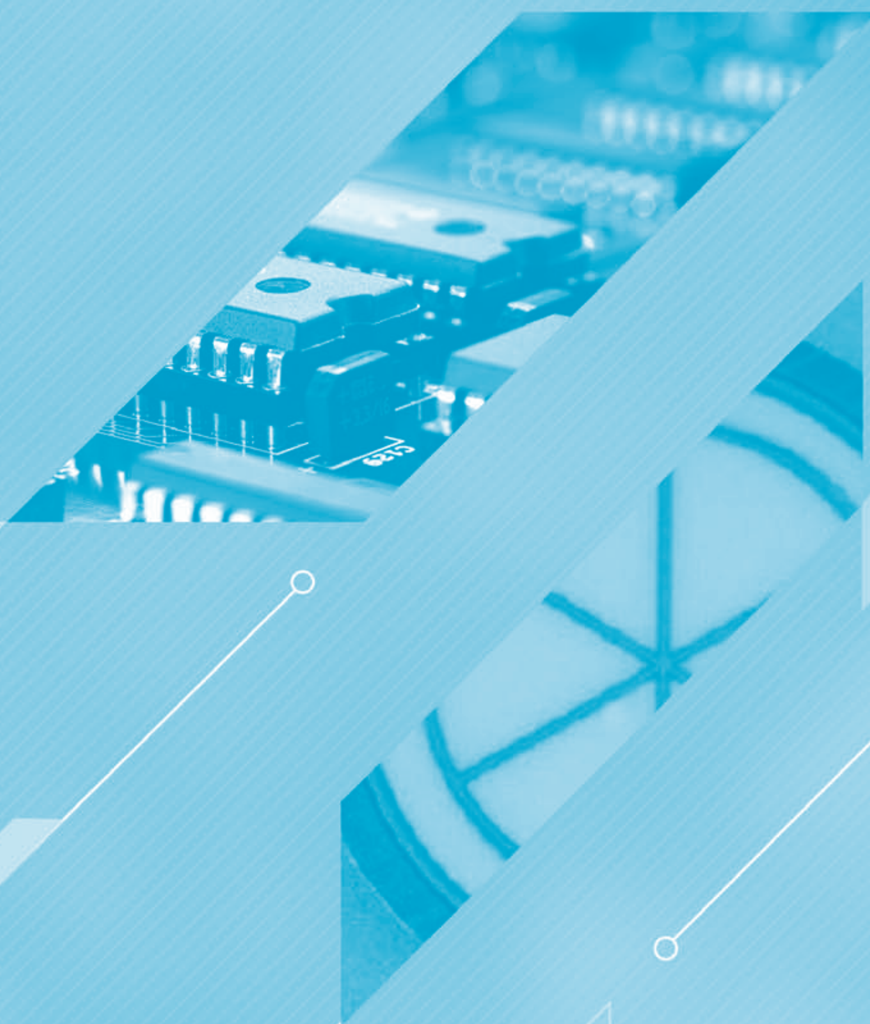
Mr. Lee Jun Hyog, aged 48, is the President of AV Concept Singapore Pte. Ltd., a subsidiary of the Company. Mr. Lee joined the Group in 2003 and has over 22 years of experience in Sales and Marketing. Prior to joining the Group, Mr. Lee was the Marketing Vice President of Onyx Technologies Taiwan Branch, Sales and Marketing Manager of Fairchild Semiconductor International, Inc. (Taiwan Branch), and the Sales and Marketing Manager of Samsung Electronics Co., Ltd. (Semiconductor Business).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Giovanni D. Gapasin, aged 45, is the President of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Gapasin joined the Group in 2003 and has over 22 years of experience 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 51, is the Materials Director of AVC Technology (International) Limited, a subsidiary of the Company. Mr. Tsang joined the Group in 2005 and has over 28 years of experience in Electronic Manufacturing Business. Prior to joining the Group, he was the Senior Materials Manager of Beautiful Enterprise Co. Ltd..

Directors'
Report



DIRECTORS' REPORT

The Directors of the Company present their report and the audited consolidated financial statements for the year ended 31 March 2012.

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 DIVIDEND

The results of the Group for the year ended 31 March 2012 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 36 to 140 of this annual report.

The Board does not recommend the payment of a final dividend in respect of the year (2011: HK4 cents).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Company and Group, and investment properties 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 32 and 33 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 SECURITIES

During the year, the Company repurchased a total of 16,368,000 ordinary shares of the Company at an aggregate consideration of HK$12,485,540 on The Stock Exchange of Hong Kong Limited.

Save of the disclosed above, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$395,280,000. 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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
REVENUE	**3,366,541**	2,909,125	2,457,688	2,013,299	2,924,054
PROFIT/(LOSS) BEFORE TAX	**5,241**	121,809	49,957	(63,182)	5,712
Income tax	**(4,756)**	1,254	26,859	(3,127)	(1,460)
PROFIT/(LOSS) FOR THE YEAR	**485**	123,063	76,816	(66,309)	4,252
Attributable to:					
Owners of the Company	**2,416**	123,601	76,816	(66,309)	4,252
Non-controlling interests	**(1,931)**	(538)	–	–	–
	485	123,063	76,816	(66,309)	4,252

ASSETS AND LIABILITIES

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
TOTAL ASSETS	**1,443,422**	1,388,107	870,991	765,231	971,781
TOTAL LIABILITIES	**(808,730)**	(707,935)	(490,115)	(488,539)	(619,705)
	634,692	680,172	380,876	276,692	352,076

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company 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 *(Chief Financial Officer and Company Secretary)*

Independent Non-executive Directors:

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

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.

Profile of the Directors and Senior management of the Group as at the date of this annual report are set out on pages 15 to 18 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 new 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, the interests and short positions of the Directors and chief executives of the Company in the shares and 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	Nature of Interest and Capacity	Number of Ordinary Shares of the Company	Approximate percentage of interest in the Issued Shares
Dr. Hon. So Yuk Kwan	Corporate Interest Beneficial owner	269,778,189 620,000 *(Note 1)*	44.75%
Mr. So Chi On	Beneficial owner	10,700,000 *(Note 2)*	1.77%
Mr. Ho Choi Yan Christopher	Beneficial owner	1,500,000 *(Note 3)*	0.25%

Notes:

1. These shares include (i) 189,138,300 shares held by B.K.S. Company Limited ("BKS"); (ii) 80,639,889 shares held by Jade Concept Limited ("Jade Concept"); and (iii) 620,000 share options held by Dr. Hon. So Yuk Kwan as beneficial owner ("Dr. So"). Dr. So is deemed to be interested in 269,778,189 shares by virtue of his interests in BKS and Jade Concept, the particulars are more fully described in the section headed "Interests of Substantial Shareholders" below.

2. These Shares include (i) 9,700,000 share options and (ii) 1,000,000 shares were held by Mr. So Chi On as beneficial owner.

3. The 1,500,000 share options was held by Mr. Ho Choi Yan Christopher as beneficial owner.

(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 33 to the financial statements.

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executives of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interest in Shares and Underlying Shares" and in the share option scheme disclosures in note 33 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 OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, the following substantial shareholders (other than the Directors and chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were set out as follows:

Long position in the shares of the Company

Name of shareholder	**Nature of capacity**	**Number of shares held**	**Approximate percentage of interest in the issued shares**
B.K.S. Company Limited ("BKS")	Beneficial owner	189,138,300 *(Note 1)*	31.30%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 *(Note 2)*	13.35%
Madam Yeung Kit Ling ("Madam Yeung")	Interest of spouse	270,398,189 *(Note 3)*	44.75%
Och Daniel Saul	Interest of controlled corporation	54,376,000 *(Note 4)*	9.00%
Och-Ziff Capital Management Group LLC	Interest of controlled corporation	54,376,000 *(Note 4)*	9.00%
OZ Management L.P.	Investment manager	54,376,000 *(Note 4)*	9.00%
OZ Master Fund, Ltd.	Beneficial owner	30,616,000 *(Note 5)*	5.01%

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 the shares of BKS and Jade Concept of the Company in which Dr. So has interested and 620,000 share option held by Dr. So.

4. Based on the individual substantial shareholder notice of Daniel Saul Och filed on 17 January 2012: (i) of these shares of the Company: (a) 14,614,000 shares are held by OZ Asia Master Fund, Ltd.; (b) 1,184,000 shares are held by Gordel Holdings Ltd.; (c) 33,688,000 shares are held by OZ Master Fund, Ltd.; (d) 906,000 shares are held by OZ Global Special Investments Master

Fund, LP; (e) 2,048,000 shares are held by OZ Eureka Fund, LP; (f) 1,008,000 shares are held by OZ ELS Master Fund, Ltd.; and (g) 928,000 shares are held by Goldman Sachs & Co. Profit Sharing Master Trust; (ii) OZ Management II L.P. has 100% control in each of OZ ELS Master Fund, Ltd and Goldman Sachs & Co. Profit Sharing Master Trust; (iii) OZ Management, LP has 100% control in each of OZ Asia Master Fund, Ltd., Gordel Holdings Ltd., OZ Master Fund, Ltd., OZ Global Special Investments Master Fund, LP, OZ Eureka Fund, LP and OZ Management II, LP; (iv) Och-Ziff Capital Management Group LLC has 100% control in Och-Ziff Holding Corporation, which in turn has 100% control in OZ Management, LP; and (v) Daniel Saul Och has 77.40% control in Och-Ziff Capital Management Group LLC and accordingly, is interested or deemed to be interested in the 54,376,000 shares of the Company by virtue of the SFO.

5. This interest is based on the individual substantial shareholder notice of OZ Master Fund, Ltd filed on 23 November 2011.

Save as disclosed above, as at 31 March 2012, the Company has not been notified by any person or corporation (other than the Directors and chief executives of the Company whose interests were set out above) having interests in the shares and 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 33 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable contributions amounting to HK$877,000 (2011: HK$142,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 20% of the total sales. Purchases from the Group's five largest suppliers for the year accounted for approximately 92% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 40%.

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' INTEREST

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 2012 and as at the date of this report.

DIRECTORS' 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 27 to 32 of this annual report.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 31 March 2012, the aggregate amount of financial assistance to, and (where applicable) guarantee given for the loan facilities granted to, affiliated companies of the Company, exceeds 8% under the assets ratio as defined under Rule 14.07 (1) of the Listing Rules. In compliance with the requirement of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies (with attributable interest of the Group in the affiliated companies) as at the latest applicable date is set out below:

	Combined Balance sheet	**Group's attributable interest**
	HK$'000	*HK$'000*
Non-current assets	2,030	1,522
Current assets	390,366	292,775
Current liabilities	(348,595)	(261,447)
Non-current liabilities	(9)	(6)
	43,792	32,844
Share capital	40,000	30,000
Reserve	3,792	2,844
	43,792	32,844

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 45 to the financial statements.

AUDITORS

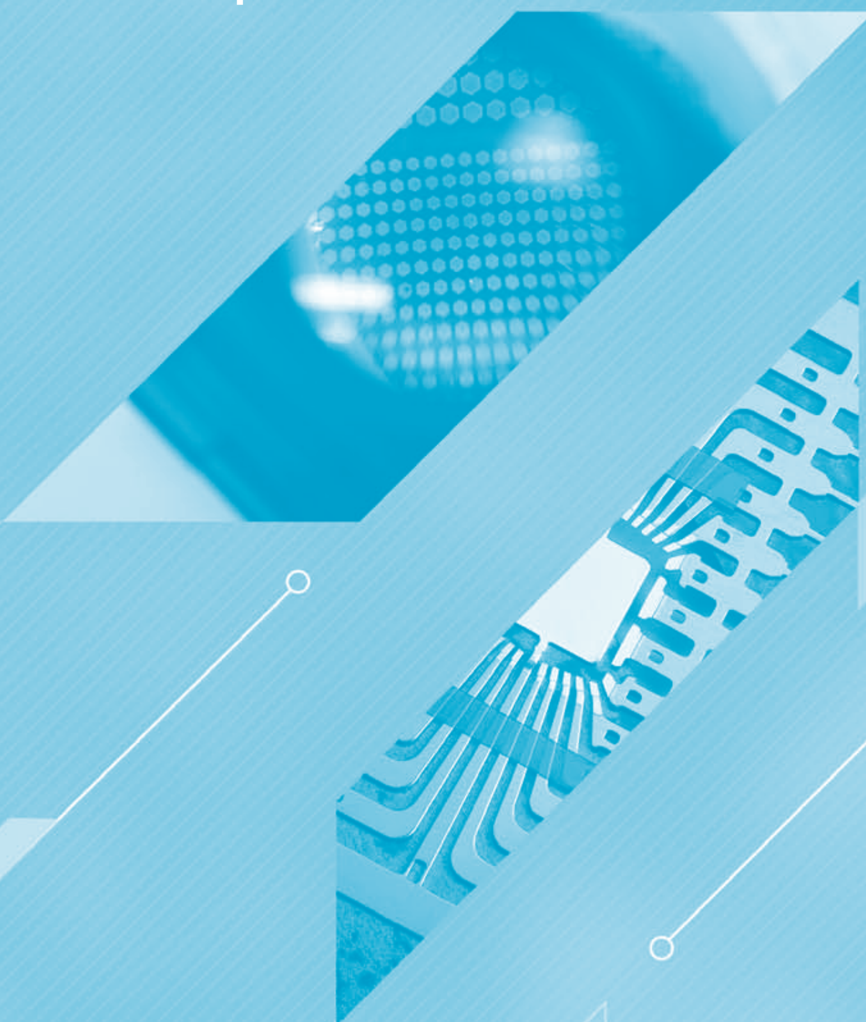
Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

So Yuk Kwan
Chairman

Hong Kong, 20 June 2012

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 as a whole. 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 2012, 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 its subsidiaries; and is collectively responsible for directing and supervising the Company and its subsidiaries 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

The Composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Company.

As at 31 March 2012, the Board comprised three Executive Directors and three Independent Non-executive Directors ("INEDs"). 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.

In accordance with Article 112 of the Articles of Association of the Company. Mr. So Chi On and Dr. Hon. Lui Ming Wah, SBS, JP 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 Dr. Hon. Lui Ming Wah, SBS, JP 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.

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 as a whole. 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 management of the Group from time to time reports to the Directors information on the activities and development of the Group's business. In addition, the Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The attendance records of regular four board meetings held during the year is set out below:

Name of Directors	**Attendance/ Number of meetings**
Executive Directors	
Dr. Hon. So Yuk Kwan *(Chairman)*	4/4
Mr. So Chi On *(Chief Executive Officer)*	4/4
Mr. Ho Choi Yan Christopher *(Chief Financial Officer and Company Secretary)*	4/4
Independent Non-executive Directors	
Dr. Hon. Lui Ming Wah, *SBS, JP*	4/4
Mr. Charles Edward Chapman	4/4
Mr. Wong Ka Kit	4/4

Board Committees

As at the date of the report, there were four Board Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee in operation and each one of them was established with specific terms of references to assist the Board discharging its responsibilities and maintain proper internal controls and to promote good corporate governance as a whole.

CORPORATE GOVERNANCE REPORT

Audit Committee

As at 31 March 2012, 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.

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.

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.

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 2011 and the interim results for the six months ended 30 September 2011. 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 2012. In addition, the Audit Committee adopted a new terms of reference on 20 March 2012.

The attendance records of the Audit Committee meeting held during the year is set out below.

Name of Audit Committee Members	Attendance/ Number of meetings
Dr. Hon. Lui Ming Wah, *SBS, JP (Chairman)*	2/2
Mr. Charles Edward Chapman	2/2
Mr. Wong Ka Kit	2/2

Remuneration Committee

As at 31 March 2012, the Remuneration Committee consists 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 management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to the Company's performance and profitability as well as remuneration benchmarks in the industry and the prevailing market conditions. No Director or any of his associates shall be involved in deciding his own remuneration. The Remuneration Committee normally meets once a year and at other times as required. The Remuneration Committee had reviewed the Directors' remuneration for the year ended 31 March 2012. The Remuneration Committee adopted a new terms of reference on 20 March 2012.

The attendance records of the Remuneration Committee meeting held during the year is set out below.

Name of Remuneration Committee Members	**Attendance/ Number of meetings**
Dr. Hon. Lui Ming Wah, *SBS, JP (Chairman)*	1/1
Mr. Charles Edward Chapman	1/1
Mr. Wong Ka Kit	1/1

Nomination Committee

The Company established a Nomination Committee with its terms of reference was adopted on 20 March 2012. The members of the Nomination Committee are Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles Edward Chapman and Mr. Wong Ka Kit, all are the Independent Non-executive Directors. Dr. Hon. Lui Ming Wah, SBS, JP is the chairman of the Nomination Committee. The Nomination Committee is responsible for considering, selecting and recommending appropriate candidates for directorship on the Board having regard to the balance of skills and experience appropriate to the businesses of the Group. As the Nomination Committee was established on 20 March 2012, it did not hold any meeting during the year.

Corporate Governance Committee

The Company established a Corporate Governance Committee with its terms of reference was adopted on 20 March 2012. The members of the Corporate Governance Committee are Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles Edward Chapman and Mr. Wong Ka Kit, all are the Independent Non-executive Directors. Dr. Hon. Lui Ming Wah, SBS, JP is the Chairman of the Corporate Governance Committee. The Corporate Governance Committee is primarily responsible for developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board and to reviewing the Company's compliance with the Code in Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. As the Corporate Governance Committee was established on 20 March 2012, it did not hold any meeting during the year.

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.

CORPORATE GOVERNANCE REPORT

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 2012.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors amounted to HK$2,354,000 in respect of audit services. There have been no significant non-audit services rendered by the Company's independent auditors during the year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

A statement by the Company's auditors about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditors' Report on pages 33 to 35 of this report.

Independent

Auditors' Report

INDEPENDENT AUDITORS' REPORT

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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 36 to 140, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 2012, 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 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
REVENUE	5	**3,366,541**	2,909,125
Cost of sales		**(3,106,351)**	(2,769,541)
Gross profit		**260,190**	139,584
Other income and gains	5	**31,870**	18,772
Changes in fair value of investment properties		**13,017**	617
Selling and distribution costs		**(123,647)**	(35,369)
Administrative expenses		**(147,207)**	(108,174)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		**(47,518)**	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 subsidiaries	36	**29,612**	–
Gain on disposal of associates		**19,839**	–
Other expenses		**(9,599)**	(8,487)
Finance costs	7	**(17,759)**	(10,956)
Share of profits and losses of:			
Jointly-controlled entities		**1,913**	18,002
Associates		**(5,470)**	(1,493)
PROFIT BEFORE TAX	6	**5,241**	121,809
Income tax	10	**(4,756)**	1,254
PROFIT FOR THE YEAR		**485**	123,063
Attributable to:			
Owners of the Company		**2,416**	123,601
Non-controlling interests		**(1,931)**	(538)
		485	123,063
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**0.39 cents**	22.8 cents
Diluted		**0.39 cents**	22.6 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 2012

	2012	2011
	HK$'000	HK$'000 (Restated)
PROFIT FOR THE YEAR	**485**	123,063
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations and other comprehensive income/(loss) for the year, net of tax	**(3,956)**	6,218
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(3,471)**	129,281
Attributable to:		
Owners of the Company	**(1,540)**	129,819
Non-controlling interests	**(1,931)**	(538)
	(3,471)	129,281

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

		31 March		1 April
		2012	2011	2010
	Notes	**HK$'000**	HK$'000 (Restated)	HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	**131,037**	67,724	68,245
Investment properties	*15*	**97,065**	25,606	22,478
Goodwill	*16*	**48,795**	37,729	–
Other intangible assets	*17*	**30,572**	26,592	1,567
Investments in jointly-controlled entities	*19*	**53,199**	14,458	32,638
Investments in associates	*20*	**110,025**	173,679	61,781
Available-for-sale investments	*21*	**6,623**	1,750	45,924
Other deposits	*24*	**13,448**	–	17,050
Deferred tax asset	*31*	**2,473**	2,796	–
Total non-current assets		**493,237**	350,334	249,683
CURRENT ASSETS				
Convertible note receivable – loan portion		**–**	–	22,516
Available-for-sale investments	*21*	**15,091**	–	–
Inventories	*22*	**296,278**	257,881	106,355
Trade receivables	*23*	**270,531**	237,876	209,889
Prepayments, deposits and other receivables	*24*	**89,692**	31,313	20,130
Due from a related company		**–**	–	5,759
Equity investments at fair value through profit or loss	*25*	**111,129**	223,339	104,843
Tax recoverable		**997**	–	–
Time deposits	*26*	**–**	62,204	17,421
Cash and bank balances	*26*	**166,467**	225,160	134,395
Total current assets		**950,185**	1,037,773	621,308
CURRENT LIABILITIES				
Trade payables, deposits received and accrued expenses	*27*	**210,938**	192,125	99,372
Interest-bearing bank borrowings	*28*	**525,909**	505,268	368,116
Finance lease payables	*29*	**423**	423	224
Tax payable		**9,578**	3,250	9,154
Financial guarantee obligation	*30*	**4,030**	1,262	5,591
Total current liabilities		**750,878**	702,328	482,457
NET CURRENT ASSETS		**199,307**	335,445	138,851

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

		31 March		1 April
		2012	2011	2010
	Notes	**HK$'000**	HK$'000 (Restated)	HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**692,544**	685,779	388,534
NON-CURRENT LIABILITIES				
Derivative financial instrument		**–**	–	6,698
Interest-bearing bank borrowings	*28*	**51,523**	–	–
Finance lease payables	*29*	**1,142**	1,565	729
Deferred tax liability	*31*	**5,187**	4,042	231
Total non-current liabilities		**57,852**	5,607	7,658
Net assets		**634,692**	680,172	380,876
EQUITY				
Issued capital	*32*	**60,419**	62,056	46,636
Reserves	*34(a)*	**579,402**	594,531	313,306
Proposed final dividend	*12*	**–**	24,822	20,934
Equity attributable to equity holders of the Company		**639,821**	681,409	380,876
Non-controlling interests		**(5,129)**	(1,237)	–
Total equity		**634,692**	680,172	380,876

So Yuk Kwan
Director

So Chi On
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

		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, as previously reported		46,636	191,298	15,778	2,660	4,155	99,616	20,934	381,077	–	381,077
Changes in accounting policies	*2.2*	–	–	–	–	–	(201)	–	(201)	–	(201)
At 1 April 2010, as restated		46,636	191,298	15,778	2,660	4,155	99,415	20,934	380,876	–	380,876
Profit for the year		–	–	–	–	–	123,601	–	123,601	(538)	123,063
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	6,218	–	–	6,218	–	6,218
Total comprehensive income for the year		–	–	–	–	6,218	123,601	–	129,819	(538)	129,281
Placing of shares	*32*	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*	10,373*	182,493*	24,822	681,409	(1,237)	680,172

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

		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 2011, as previously reported		62,056	383,227	15,778	2,660	10,395	181,566	24,822	680,504	(1,237)	679,267
Changes in accounting policies	2.2	–	–	–	–	(22)	927	–	905	–	905
At 1 April, 2011, as restated		62,056	383,227*	15,778*	2,660*	10,373*	182,493*	24,822	681,409	(1,237)	680,172
Profit for the year		–	–	–	–	–	2,416	–	2,416	(1,931)	485
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations											
– Associates		–	–	–	–	(2,007)	–	–	(2,007)	–	(2,007)
– Subsidiaries		–	–	–	–	(1,949)	–	–	(1,949)	–	(1,949)
Total comprehensive loss for the year		–	–	–	–	(3,956)	2,416	–	(1,540)	(1,931)	(3,471)
Acquisition of non-controlling interests		–	–	1,961	–	–	–	–	1,961	(1,961)	–
Repurchase and cancellation of Company's shares	32	(1,637)	(10,848)	1,637	–	–	(1,637)	–	(12,485)	–	(12,485)
Equity-settled share option arrangements	33	–	–	–	1,340	–	–	–	1,340	–	1,340
Share of reserve of an associate		–	–	–	41	–	–	–	41	–	41
Share options lapsed		–	–	–	(2,372)	–	2,372	–	–	–	–
Final 2011 dividend		–	–	–	–	–	–	(24,822)	(24,822)	–	(24,822)
Interim 2012 dividend	12	–	–	–	–	–	(6,083)	–	(6,083)	–	(6,083)
At 31 March 2012		60,419	372,379*	19,376*	1,669*	6,417*	179,561*	–	639,821	(5,129)	634,692

Included in the balance of the capital reserve as at 31 March 2012 was a capital redemption reserve balance amounting to approximately HK$16,034,000 (2011: HK$14,397,000).

As at 31 March 2012, there was goodwill of HK$12,470,000 (2011: 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 of HK$579,402,000 (2011: HK$594,531,000) in the consolidated statement of financial position as at 31 March 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,241**	121,809
Adjustments for:			
Finance costs	7	**17,759**	10,956
Share of profits of jointly-controlled entities		**(1,913)**	(18,002)
Share of losses of associates		**5,470**	1,493
Depreciation	6	**5,786**	4,637
Changes in fair value of investment properties		**(13,017)**	(617)
Amortisation of other intangible assets	6	**7,321**	4,700
Impairment/(reversal of impairment) of trade receivables	6	**(477)**	347
Impairment/(reversal of impairment) of slow moving inventories	6	**(1,945)**	1,408
Gain on disposal of items of property, plant and equipment	6	**(15,728)**	(137)
Gain on disposal of an available-for-sale investment	6	**–**	(3,921)
Gain on disposal of associates	6	**(19,839)**	–
Gain on disposal of subsidiaries	6	**(29,612)**	–
Gain on bargain purchase of a subsidiary and a jointly-controlled entity	5	**(319)**	–
Provision for amounts due from associates		**279**	–
Impairment of investments in associates	6	**1,336**	–
Impairment of available-for-sale investments	6	**–**	4,027
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	**(2,302)**	(4,329)
Impairment of investments in jointly-controlled entities	6	**1,040**	4,329
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	6	**47,518**	(110,877)
Fair value loss on a derivative financial instrument at fair value through profit or loss	6	**–**	7,178
Equity-settled share option expense	6	**1,340**	–
Interest income from a convertible note receivable	6	**–**	(128)
Interest income from debt securities	6	**(1,239)**	(1,091)
Dividend income from listed investments	6	**(488)**	(409)
Interest income from an associate	6	**(148)**	–
Bank interest income	6	**(290)**	(117)
		5,773	14,204
Increase in amounts due from associates		**(6,632)**	(17,333)
Movement in balances with jointly-controlled entities		**(18,466)**	29,353
Decrease/(increase) in inventories		**832**	(142,708)
Decrease/(increase) in trade receivables		**(963)**	5,612
Increase in prepayments, deposits and other receivables		**(71,849)**	(10,648)
Increase/(decrease) in trade payables, deposits received and accrued expenses		**(5)**	36,983
Cash used in operations - page 43		**(91,310)**	(84,537)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash used in operations - page 42		**(91,310)**	(84,537)
Dividend income received from an associate		**13,250**	–
Dividend income received from a jointly-controlled entity		**16,736**	–
Hong Kong profits tax paid		**–**	(8,237)
Overseas tax paid		**(1,683)**	–
Net cash flows used in operating activities		**(63,007)**	(92,774)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income received		**290**	117
Interest income from an associate		**148**	–
Interest income from a convertible note receivable		**–**	128
Interest income from debt securities		**1,239**	1,091
Dividend received		**488**	2,909
Purchases of items of property, plant and equipment		**(68,873)**	(1,700)
Proceeds from disposal of items of property, plant and equipment		**19,717**	1,024
Additions to other intangible assets		**(491)**	(1,950)
Additions to investment properties		**(58,438)**	–
Decrease in a convertible note receivable – loan portion		**–**	23,954
Investments in associates		**(17,557)**	(79,595)
Subscription of shares in a jointly-controlled entity		**(27,500)**	–
Proceeds from disposal of an associate		**46,770**	–
Acquisition of subsidiaries	*35*	**(42,879)**	(12,146)
Proceeds from disposal of subsidiaries	*36*	**47,477**	–
Subscription of a convertible note		**–**	(6,240)
Purchase of available-for-sale investments		**(10,623)**	(1,750)
Disposal of an available-for-sale investment		**1,750**	3,921
Disposal of equity investments at fair value through profit or loss		**63,497**	20,341
Payment for termination of a derivative financial instrument at fair value through profit or loss		**–**	(13,876)
Net cash flows used in investing activities		**(44,985)**	(63,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of expenses	*32*	**–**	207,349
Repurchase of shares of the Company	*32*	**(12,485)**	–
Decrease in discounted bills		**–**	(4,612)
Decrease in unsecured bank loans		**–**	(53,913)
New bank loans		**52,500**	–
Repayment of bank loans		**(1,693)**	–
Net increase/(decrease) in import and trust receipt loans		**(1,711)**	190,223
Capital element of finance lease rental payments		**(423)**	(810)
Interest paid		**(17,702)**	(10,916)
Interest element on finance lease rental payments		**(57)**	(40)
Dividend paid		**(30,905)**	(36,635)
Net cash flows from/(used in) financing activities		**(12,476)**	290,646

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(120,468)**	134,100
Cash and cash equivalents at beginning of year		**287,364**	151,214
Effect of foreign exchange rate changes, net		**(429)**	2,050
CASH AND CASH EQUIVALENTS AT END OF YEAR		**166,467**	287,364
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	**166,467**	225,160
Non-pledged time deposits with original maturity of less than three months when acquired	*26*	**–**	62,204
Cash and cash equivalents as stated in the statement of financial position and in the statement of cash flows		**166,467**	287,364

STATEMENT OF FINANCIAL POSITION

31 March 2012

		2012	2011
	Notes	**HK$'000**	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**17**	23
Investments in subsidiaries	*18*	**472,892**	456,299
Total non-current assets		**472,909**	456,322
CURRENT ASSETS			
Prepayments	*24*	**172**	106
Cash and bank balances	*26*	**2,139**	23,582
Total current assets		**2,311**	23,688
CURRENT LIABILITIES			
Accrued expenses	*27*	**1,844**	1,494
Tax payable		**15**	4,993
Total current liabilities		**1,859**	6,487
NET CURRENT ASSETS		**452**	17,201
Net assets		**473,361**	473,523
EQUITY			
Issued capital	*32*	**60,419**	62,056
Reserves	*34(b)*	**412,942**	386,645
Proposed final dividend	*12*	**–**	24,822
Total equity		**473,361**	473,523

So Yuk Kwan
Director

So Chi On
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2012

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, certain available-for-sale investments and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012. 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.

Total comprehensive income within a subsidiary is 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.2 PRIOR YEAR ADJUSTMENT – CHANGES IN ACCOUNTING POLICIES

In previous years, the Group's investment property was carried in the consolidated statement of financial position at cost less accumulated depreciation and any impairment losses. Following the acquisition of certain investment properties in Hong Kong during the current year, the directors of the Company are of the view that using the fair value model under HKAS 40 would result in the consolidated financial statements providing reliable and more appropriate and relevant information about the Group's results and financial position to the users of the financial statements. The fair value of investment properties as determined by independent professionally qualified valuers on an open market, existing use basis would better reflect the commercial value of investment properties. Consequently, the Group changed its accounting policy on investment properties to follow the fair value model under HKAS 40 with effect from 1 April 2011.

In connection to the foregoing, in December 2010, the HKICPA amended HKAS 12, "Income taxes" to clarify the determination of deferred tax on investment property measured at fair value. Both the original and the revised HKAS 12 require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. Moreover, the revised HKAS 12 introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The revised HKAS 12 is effective to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has early adopted the revised HKAS 12 during the current year.

As required by the revised HKAS 12, the Group has re-measured the deferred tax retrospectively relating to these investment properties according to the tax consequence on the presumption that they are recovered entirely by sale.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.2 PRIOR YEAR ADJUSTMENT – CHANGES IN ACCOUNTING POLICIES *(continued)*

These changes in accounting policies have been accounted for retrospectively and the comparative figures for the corresponding comparative prior periods have been restated. The investment property has been measured at fair value and the changes in fair value have been included in the consolidated income statement. The corresponding depreciation under the cost model has also been reversed. The effects of the changes in accounting policies are as follows:

(a) Consolidated income statement (extracts) for the year ended 31 March 2011:

	As previously reported	**Effect of change**	**As restated**
	HK$'000	HK$'000	HK$'000
Depreciation – investment property	(511)	511	–
Change in fair value of an investment property	–	617	617
Profit before tax	120,681	1,128	121,809
Income tax	1,254	(192)	1,062
Early adoption of HKAS 12	–	192	192
Profit for the year	121,935	1,128	123,063
Attributable to:			
Owners of the Company	122,473	1,128	123,601
Non-controlling interests	(538)	–	(538)
	121,935	1,128	123,063
Earnings per share attributable to ordinary equity holders of the Company			
Basic	22.6 cents	0.2 cents	22.8 cents
Diluted	22.4 cents	0.2 cents	22.6 cents

2.2 PRIOR YEAR ADJUSTMENT – CHANGES IN ACCOUNTING POLICIES (continued)

(b) Consolidated statement of financial position (extracts) as at 31 March 2011:

	As previously reported	Effect of change	As restated
	HK$'000	HK$'000	HK$'000
Investment property	24,701	905	25,606
Total non-current assets	349,429	905	350,334
Net assets	679,267	905	680,172
Reserves	593,626	905	594,531

(c) Consolidated income statement (extracts) for the year ended 31 March 2010:

	As previously reported	Effect of change	As restated
	HK$'000	HK$'000	HK$'000
Depreciation – investment property	(309)	309	–
Change in fair value of an investment property	–	(510)	(510)
Profit before tax	50,158	(201)	49,957
Income tax	26,859	34	26,893
Early adoption of HKAS 12	–	(34)	(34)
Profit for the year attributable to owners of the Company	77,017	(201)	76,816
Earnings per share attributable to ordinary equity holders of the Company			
Basic	17.8 cents	(0.1 cents)	17.7 cents
Diluted	17.7 cents	–	17.7 cents

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.2 *PRIOR YEAR ADJUSTMENT – CHANGES IN ACCOUNTING POLICIES (continued)*

(d) Consolidated statement of financial position (extracts) as at 31 March 2010:

	As previously reported	**Effect of change**	**As restated**
	HK$'000	HK$'000	HK$'000
Investment property	22,679	(201)	22,478
Total non-current assets	249,884	(201)	249,683
Net assets	381,077	(201)	380,876
Reserves	313,507	(201)	313,306

2.3 *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 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*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 12 Amendments, HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(a) HKAS 12 Amendments Income Taxes – Deferred Tax: Recovery of Underlying Assets

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Details of the impact of early adoption of HKAS 12, including the related comparative information, are included in note 2.2 to the consolidated financial statements.

(b) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 41 to the consolidated financial statements.

(c) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. 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 has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment 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 amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

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2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(c) (continued)

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment 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 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[3]
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*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[3]
HKFRS 11	*Joint Arrangements*[3]
HKFRS 12	*Disclosure of Interests in Other Entities*[3]
HKFRS 13	*Fair Value Measurement*[3]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[2]
HKAS 19 (2011)	*Employee Benefits*[3]
HKAS 27 (2011)	*Separate Financial Statements*[3]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[3]

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

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

[2] Effective for annual periods beginning on or after 1 July 2012

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

[4] Effective for annual periods beginning on or after 1 January 2014

[5] Effective for annual periods beginning on or after 1 January 2015

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

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 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and* HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 April 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 April 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 April 2013.

Amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 April 2014.

2.5 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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 jointly-controlled entities 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. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. 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.

Associates

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

The Group's 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.

Business combination and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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.

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.

NOTES TO FINANCIAL STATEMENTS

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2.5 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, investment properties, 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 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 depreciates them accordingly.

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) 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 properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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.

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 relationships

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, 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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance lease, but are depreciated over their estimated useful lives.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 rentals 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 and a jointly-controlled entity, trade receivables, available-for-sale investments, 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:

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.

2.5 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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 for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments 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.

NOTES TO FINANCIAL STATEMENTS

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2.5 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 investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

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

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade payables, interest-bearing bank borrowings, finance lease payables, and an amount due to a jointly-controlled entity.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

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.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

(e) rental income is recognised on a time proportion basis over the lease terms.

Share-based payment transactions

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

The cost of equity-settled transactions with employees 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 33 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, 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.

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

Other employee benefits

Paid leave carried forward

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

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement 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, Singapore and Korea 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2012

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:

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 described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease terms and other contracts. In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 March 2012 was HK$97,065,000 (2011: HK$25,606,000).

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 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, i.e. its value in use. 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. As at 31 March 2012, an impairment loss of HK$4,027,000 (2011: HK$4,027,000) had been recognised for available-for-sale investments. The carrying amount of available-for-sale investments as at 31 March 2012 was HK$21,714,000 (2011: HK$1,750,000).

NOTES TO FINANCIAL STATEMENTS

31 March 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade receivables

The Group makes impairment provision for trade 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 receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment provision in the periods in which such estimate has been changed. The aggregate carrying amount of trade receivables as at 31 March 2012 amounted to HK$270,531,000 (2011: HK$237,876,000).

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 units 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 2012 was HK$48,795,000 (2011: HK$37,729,000). Further details are given in note 16 to the financial statements. The carrying amount of goodwill included in investments in associates at 31 March 2012 was HK$44,918,000 (2011: HK$67,447,000), respectively. Further details are given in notes 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 2012 was amounted to HK$30,572,000 (2011: HK$26,592,000).

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 interest income, dividend income from listed investments, management fee income, rental income, share of profits and losses of associates and jointly-controlled entities, fair value gains/(losses) on equity investments and a derivative financial instrument at fair value through profit or loss, gain on disposal of items of property, plant and equipment, gains on disposal of subsidiaries and associates, finance costs, changes in fair value of investment properties, gains on bargain purchase of a subsidiary and a jointly-controlled entity, provision for amounts due from associates and an amount due from a former subsidiary, impairment of investment in an associate and unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted at cost.

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31 March 2012

4. OPERATING SEGMENT INFORMATION *(continued)*

	Semiconductor distribution	Consumer electronic product	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2012					
Segment revenue:					
Sales to external customers	3,064,301	278,863	23,377	–	3,366,541
Intersegment sales	–	215	145	(360)	–
Total	3,064,301	279,078	23,522	(360)	3,366,541
Segment results	**25,926**	**(1,543)**	**(8,706)**	**–**	**15,677**
Reconciliation:					
Bank interest income					290
Interest income from an associate					148
Interest income from debt securities					1,239
Dividend income from listed investments					488
Management fee income from associates					8,347
Management fee income from a related company					390
Management fee income from a jointly-controlled entity					15
Rental income					1,703
Share of profits of jointly-controlled entities					1,913
Share of profits and losses of associates					(5,470)
Fair value losses on equity investments at fair value through profit or loss, net					(47,518)
Gain on disposal of items of property, plant and equipment					15,728
Gain on disposal of associates					19,839
Gain on disposal of subsidiaries					29,612
Gain on bargain purchase of:					
A subsidiary					19
A jointly-controlled entity					300
Provision for amounts due from associates					(279)
Impairment of an investment in an associate					(74)
Provision for an amount due from a former subsidiary					(506)
Changes in fair value of investment properties					13,017
Unallocated expenses					(31,878)
Finance costs					(17,759)
Profit before tax					5,241
Other segment information:					
Depreciation	3,800	585	6	–	4,391
Unallocated depreciation					1,395
Amortisation of other intangible assets	4,330	2,991	–	–	7,321
Reversal of provision for impairment of trade receivables	477	–	–	–	477
Bad debt written off	837	–	–	–	837
Capital expenditure	17,000	6,906	–	–	23,906
Unallocated capital expenditure					119,617

4. *OPERATING SEGMENT INFORMATION (continued)*

	Semiconductor distribution	Consumer electronic product	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Year ended 31 March 2011					
Segment revenue:					
Sales to external customers	2,801,302	105,861	1,962	–	2,909,125
Intersegment sales	137	21	121	(279)	–
Total	2,801,439	105,882	2,083	(279)	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					6,330
Management fee income from a jointly-controlled entity					245
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
Change in fair value of investment property					617
Unallocated expenses					(30,968)
Finance costs					(10,956)
Profit before tax					121,809
Other segment information:					
Depreciation	3,737	132	6	–	3,875
Unallocated depreciation					762
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					2,585

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4. *OPERATING SEGMENT INFORMATION (continued)*

Geographical information

(a) Revenue from external customers

	2012	2011
	HK$'000	HK$'000
Hong Kong	**1,665,083**	1,465,650
Singapore	**1,272,178**	1,334,808
Korea	**224,052**	86,568
United States of America	**143,774**	–
Other countries	**61,454**	22,099
	3,366,541	2,909,125

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

(b) Non-current assets

	2012	2011
	HK$'000	HK$'000 (Restated)
Hong Kong	**315,253**	157,959
Mainland China	**11,713**	48,870
Singapore	**47,355**	38,510
Korea	**118,916**	104,995
	493,237	350,334

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

Information about a major customer

Revenue of approximately HK$254,147,000 (2011: HK$275,879,000) 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	
	2012	2011
	HK$'000	HK$'000
Revenue		
Semiconductor distribution	**3,064,301**	2,801,302
Consumer electronic product	**278,863**	105,861
Others	**23,377**	1,962
	3,366,541	2,909,125
Other income and gains		
Bank interest income	**290**	117
Interest income from debt securities	**1,239**	1,091
Interest income from a convertible note receivable	**–**	128
Interest income from an associate	**148**	–
Interest income from a jointly-controlled entity	**–**	153
Gain on early redemption of a convertible note receivable	**–**	1,438
Dividend income from listed investments	**488**	409
Gain on disposal of items of property, plant and equipment	**15,728**	137
Management fee income from associates	**8,347**	6,330
Management fee income from a jointly-controlled entity	**15**	245
Management fee income from a related company	**390**	1,385
Trademark license income from an associate	**505**	–
Gain on disposal of an available-for-sale investment	**–**	3,921
Gain on bargain purchase on:		
Acquisition of subsidiaries *(note 35)*	**19**	–
Subscription of shares of a jointly-controlled entity	**300**	–
Rental income	**1,703**	1,150
Others	**2,698**	2,268
	31,870	18,772

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6. *PROFIT BEFORE TAX*

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		**3,101,123**	2,768,161
Depreciation	*14*	**5,786**	4,637
Amortisation of other intangible assets***	*17*	**7,321**	4,700
Impairment/(reversal of impairment) of trade receivables**	*23*	**(477)**	347
Bad debts written off		**837**	–
Impairment/(reversal of impairment) of slow moving inventories*		**(1,945)**	1,408
Impairment of available-for-sale investments**	*21*	**–**	4,027
Minimum lease payments under operating leases in respect of land and buildings		**4,213**	2,126
Auditors' remuneration		**2,354**	1,726
Equity-settled share option expense**	*33*	**1,340**	–
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		**96,772**	79,496
Pension scheme contributions		**3,837**	2,108
		100,609	81,604

6. *PROFIT BEFORE TAX (continued)*

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

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss		**47,518**	(110,877)
A derivative financial instrument at fair value through profit or loss		**–**	7,178
Foreign exchange differences, net**		**(5,515)**	(5,625)
Gain on disposal of items of property, plant and equipment		**(15,728)**	(137)
Gain on disposal of subsidiaries	*36*	**(29,612)**	–
Gain on disposal of associates		**(19,839)**	–
Bank interest income		**(290)**	(117)
Interest income from an associate		**(148)**	–
Interest income from a jointly-controlled entity		**–**	(153)
Interest income from a convertible note receivable		**–**	(128)
Interest income from debt securities		**(1,239)**	(1,091)
Gain on early redemption of a convertible note receivable		**–**	(1,438)
Dividend income from listed investments		**(488)**	(409)
Impairment of investments in			
A jointly-controlled entity**		**1,040**	4,329
Associates**		**1,336**	–
Provision for amounts due from associates**		**279**	–
Provision for an amount due from a former subsidiary**		**506**	–
Revaluation of a pre-existing interest in an acquired subsidiary to fair value		**–**	(5,614)
Gain on derecognition of financial guarantee obligation**		**(2,302)**	(4,329)
Gain on disposal of an available-for-sale investment		**–**	(3,921)
Gross rental income		**(1,703)**	(1,150)
Less: direct expenses		**175**	86
Net rental income		**(1,528)**	(1,064)

* The balance is 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.

*** The balance is included in "Administrative expenses" on the face of the consolidated income statement.

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7. *FINANCE COSTS*

An analysis of finance costs is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**17,333**	10,916
Interest on mortgage loans not wholly repayable within five years	**369**	–
Interest on finance leases	**57**	40
	17,759	10,956

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	
	2012	2011
	HK$'000	HK$'000
Fees	**1,300**	300
Other emoluments:		
Salaries, housing and other allowances, and benefits in kind	**13,161**	11,735
Equity-settled share option expense	**1,340**	–
Pension scheme contributions	**502**	513
	15,003	12,248
	16,303	12,548

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	HK$'000
Dr. Hon. Lui Ming Wah, SBS, JP	100	100
Mr. Charles Edward Chapman	100	100
Mr. Wong Ka Kit	1,100	100
	1,300	300

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

(b) Executive directors

	Salaries, housing and other allowances, and benefits in kind	**Equity-settled share option expense**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000	HK$'000
2012				
Executive directors:				
Dr. Hon. So Yuk Kwan	**6,272**	**100**	**236**	**6,608**
Mr. So Chi On	**5,076**	**998**	**254**	**6,328**
Mr. Ho Choi Yan Christopher	**1,813**	**242**	**12**	**2,067**
	13,161	**1,340**	**502**	**15,003**
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

* 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 (2011: Nil).

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9. *FIVE HIGHEST PAID EMPLOYEES*

The five highest paid employees during the year included three (2011: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2011: two) non-director, highest paid employees for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,180**	3,406

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

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$3,000,000	**1**	–
	2	2

10. *INCOME TAX*

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**10,869**	4,410
Overprovision in prior years	**(715)**	(107)
Current – Elsewhere		
Charge for the year	**812**	–
Overprovision in prior years	**(5,154)**	(1,992)
Deferred *(note 31)*	**(1,056)**	(3,565)
Total tax charge/(credit) for the year	**4,756**	(1,254)

10. INCOME TAX (continued)

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

Group	2012	2011
	HK$'000	HK$'000
Profit before tax	**5,241**	121,809
Tax at statutory tax rate of 16.5% (2011: 16.5%)	**865**	20,098
Effect of different tax rate in other countries	**(9,311)**	(30)
Profits and losses attributable to jointly-controlled entities and associates	**587**	(2,724)
Overprovision in prior years	**(5,869)**	(2,099)
Income not subject to tax	**(13,085)**	(20,583)
Expenses not deductible for tax	**11,016**	5,124
Tax losses not recognised	**22,690**	1,513
Tax losses utilised from previous periods	**(1,564)**	(514)
Others	**(573)**	(2,039)
Tax charge/(credit) for the year	**4,756**	(1,254)

The share of tax attributable to associates and jointly-controlled entities amounting to HK$789,000 (2011: HK$3,554,000) and HK$170,000 (2011: HK$3,250,000), respectively, is included in “Share of profits and losses of associates and jointly-controlled entities” 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 2012 includes a profit of HK$41,888,000 (2011: HK$13,390,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDENDS

	2012	2011
	HK$'000	HK$'000
Interim – HK1 cent (2011: HK3 cents) per ordinary share	**6,083**	15,701
Proposed final – Nil (2011: HK4 cents) per ordinary share	**–**	24,822
	6,083	40,523

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13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts 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 612,032,485 (2011: 542,310,556) in issue during the years.

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:

	2012	2011
	HK$'000	HK$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**2,416**	123,601

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**612,032,485**	542,310,556
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,690,948**	4,902,837
	613,723,433	547,213,393

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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 2012							
At 31 March 2011 and at 1 April 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
At 1 April 2011, net of accumulated depreciation	36,667	22,843	426	1,230	74	6,484	67,724
Acquisition of subsidiaries *(note 35)*	–	3,311	–	312	–	768	4,391
Additions	59,918	1,204	917	6,040	–	794	68,873
Disposals	(3,929)	–	(30)	(30)	–	–	(3,989)
Depreciation provided during the year	(1,055)	(823)	(192)	(1,196)	(74)	(2,446)	(5,786)
Exchange realignment	–	(176)	14	27	–	(41)	(176)
At 31 March 2012, net of accumulated depreciation	91,601	26,359	1,135	6,383	–	5,559	131,037
At 31 March 2012:							
Cost	98,327	30,491	7,551	13,243	185	15,767	165,564
Accumulated depreciation	(6,726)	(4,132)	(6,416)	(6,860)	(185)	(10,208)	(34,527)
Net carrying amount	91,601	26,359	1,135	6,383	–	5,559	131,037

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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 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 35)*	–	–	–	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

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 2012	
At 31 March 2011 and at 1 April 2011:	
Cost	**30**
Accumulated depreciation	**(7)**
Net carrying amount	**23**
At 1 April 2011, net of accumulated depreciation	**23**
Depreciation provided during the year	**(6)**
At 31 March 2012, net of accumulated depreciation	**17**
At 31 March 2012:	
Cost	**30**
Accumulated depreciation	**(13)**
Net carrying amount	**17**
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

NOTES TO FINANCIAL STATEMENTS

31 March 2012

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 2012			
Freehold	**–**	**12,630**	**12,630**
Medium term leases	**98,327**	**17,861**	**116,188**
	98,327	**30,491**	**128,818**
31 March 2011			
Freehold	–	9,496	9,496
Medium term leases	43,057	16,656	59,713
	43,057	26,152	69,209

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles at 31 March 2012 was HK$1,933,000 (2011: HK$2,584,000).

At 31 March 2012, the Group's land and buildings with a carrying value of HK$59,778,000 (2011: Nil) were pledged to secure the mortgage loans granted to the Group (note 28).

15. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at beginning of year, as previously reported	**24,701**	22,679
Effect of change in accounting policy (note 2.2)	**905**	(201)
Carrying amount at beginning of year, as restated	**25,606**	22,478
Additions	**58,438**	–
Changes in fair value of investment properties	**13,017**	617
Exchange realignment	**4**	2,511
Carrying amount at end of year	**97,065**	25,606

15. INVESTMENT PROPERTIES (continued)

The Group's investment properties are held under the following lease terms:

	Hong Kong	Outside Hong Kong	Total
	HK$'000	HK$'000 (Restated)	HK$'000
31 March 2012			
Medium term leases	**62,000**	**–**	**62,000**
Long term leases	**4,210**	**30,855**	**35,065**
	66,210	**30,855**	**97,065**
31 March 2011			
Long term lease	–	25,606	25,606

The Group's investment properties located in Hong Kong were revalued on 31 March 2012 by Centaline Surveyors Limited, an independent professionally qualified valuer, at HK$66,210,000 on an open market, existing use basis. The Group's investment property located outside Hong Kong was revalued on 31 March 2012 by Associated Property Consultants (APC) Pte Ltd., an independent professionally qualified valuer, at HK$30,855,000 on an open market, existing use basis. The investment properties are leased to third parties and an associate under operating leases, further summary details of which are included in notes 39(a) and 41(b) to the financial statements.

At 31 March 2012, the Group's investment properties with a carrying value of HK$62,000,000 (2011: Nil) were pledged to secure the general banking facilities granted to the Group (note 28).

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16. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at beginning of year	**37,729**	–
Acquisition of subsidiaries *(note 35)*	**11,066**	37,729
Carrying amount at end of year	**48,795**	37,729

Goodwill acquired through business combinations has been allocated to the cash-generating units ("CGU") of semiconductor distribution business of HK$28,051,000 (2011: HK$16,985,000) and consumer electronic product business of HK$20,744,000 (2011: HK$20,744,000) for impairment testing.

Semiconductor distribution business

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10% (2011: 10%). The growth rate used to extrapolate the cash flows of the semiconductor distribution business until beyond the five-year period is 3% (2011: 3%). This growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry.

Consumer electronic product business

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10% (2011: 10%). The growth rate used to extrapolate the cash flows of the consumer electronic product business until beyond the five-year period is 3% (2011: 3%). This growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry.

Key assumptions

Key assumptions were used in the value in use calculation of the semiconductor distribution business and consumer electronics product business for 31 March 2012 and 31 March 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant businesses.

The values assigned to the key assumptions on budgeted gross margins and discount rates are consistent with external information sources.

17. OTHER INTANGIBLE ASSETS

Group

	Club memberships	Trademarks	Customer relationships	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2012				
At 31 March 2011 and at 1 April 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
Cost at 1 April 2011, net of accumulated amortisation and impairment	3,509	30	23,053	26,592
Acquisition of subsidiaries *(note 35)*	403	–	10,927	11,330
Additions	–	491	–	491
Amortisation provided during the year	(37)	(103)	(7,181)	(7,321)
Exchange realignment	(22)	–	(498)	(520)
At 31 March 2012	3,853	418	26,301	30,572
At 31 March 2012:				
Cost	4,880	550	38,051	43,481
Accumulated amortisation and impairment	(1,027)	(132)	(11,750)	(12,909)
Net carrying amount	3,853	418	26,301	30,572

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17. OTHER INTANGIBLE ASSETS (continued)

Group

	Club memberships	**Trademarks**	**Customer relationships**	**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 35)*	–	–	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

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**55,016**	55,016
Due from subsidiaries	**501,468**	484,875
Due to subsidiaries	**(48,182)**	(48,182)
	508,302	491,709
Impairment#	**(35,410)**	(35,410)
	472,892	456,299

An impairment of approximately HK$35,410,000 (2011: HK$35,410,000) was recognised on an amount due from a subsidiary because the subsidiary has been making losses.

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18. INVESTMENTS IN SUBSIDIARIES (continued)

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AV Electronics Group Limited	British Virgin Islands/ Hong Kong	US$40,000	100	–	Investment holding
AV Concept (China) Industrial Co., Limited	Hong Kong	HK$10,000	–	100	Investment holding
AV Concept Limited	Hong Kong	HK$2 HK$1,000,000 @	– –	100 100	Trading of electronic components
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
New Concept Capital Limited ("New Concept")	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
People & Semiconductor Co., Ltd.* ("P&S")	Korea	KRW400,000,000	–	100	Trading of electronic components
Signeo International Limited ("SIL")	Hong Kong	HK$400,007	–	75%	Trading of electronic components

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

@ Represents deferred shares issued by AV Concept Limited

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

19. *INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES*

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**32,844**	32,563
Financial guarantee provided *(note 30)*	**4,030**	–
Due from a jointly-controlled entity	**16,325**	–
Due to a jointly-controlled entity	**–**	(18,105)
	53,199	14,458

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amount of the balances with jointly-controlled entities approximates to its fair value.

Particulars of the jointly-controlled entities are as follows:

			Percentage of			
Name	**Nominal value of issued ordinary/registered share capital**	**Place of incorporation/ registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
FLEX Technology Limited ("FLEX")*	32,000,000 ordinary shares of HK$1 each	Hong Kong	2012: Nil (2011: 50)	2012: Nil (2011: 50)	2012: Nil (2011: 50)	Dormant
AVP Electronics Limited* (formerly known as United Benefits Limited)	40,000,000 ordinary shares of HK$1 each	Hong Kong	2012: 75	2012: 50	2012: 75	Trading of electronic components

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

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19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

On 29 November 2011, the Group acquired an additional 1% equity interest in AVP Electronics Limited, a former 49% owned associate of the Group, from a shareholder at a consideration of HK$500,000. Since then, it became a jointly-controlled entity of the Group.

On 23 February 2012, the Group acquired an additional 50% equity interest in FLEX, a former 50% owned jointly-controlled entity, and it became a wholly-owned subsidiary of the Group thereafter. Further details of which are set out in note 35 to the financial statements.

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

	2012	2011
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**1,522**	–
Current assets	**292,775**	45,924
Current liabilities	**(261,447)**	(13,361)
Non-current liabilities	**(6)**	–
Net assets	**32,844**	32,563
Share of the jointly-controlled entities results:		
Revenue	**315,636**	758,725
Other income	**11,930**	198
	327,566	758,923
Total expenses	**(325,483)**	(737,671)
Tax	**(170)**	(3,250)
Profit for the year	**1,913**	18,002

20. INVESTMENTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**38,125**	82,204
Financial guarantee provided *(note 30)*	**–**	1,262
Due from associates	**26,982**	22,766
Goodwill on acquisition	**44,918**	67,447
	110,025	173,679

Except for a balance of HK$8,547,000 (2011: Nil) which is unsecured, interest bearing at 6% (2011: Nil) per annum and has no fixed term of repayment, the remaining balances due from 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 2012	2011	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	Investment holding
AVP Electronics Limited*/# (formerly known as United Benefits Limited)	40,000,000 ordinary shares of HK$1 each	Hong Kong	**–**	49	Trading of electronic components
China Prospect Limited*	2,000,000 ordinary shares of HK$1 each	Hong Kong	**50**	50	Dormant
Memoriki Limited*	400 ordinary shares of HK$1 each	Hong Kong	**50**	50	Software programming
Wavesquare Inc.*	7,070,269 ordinary shares of KRW500 each	Korea	**26.58**	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

\# On 29 November 2011, the Group acquired an additional 1% equity interest in AVP Electronics Limited and since then, it became a jointly-controlled entity of the Group (note 19).

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20. INVESTMENTS IN ASSOCIATES (continued)

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.

The financial year end of the above associates is coterminous with that of the Group, except for 桂林九鋪香, AVP Electronics Limited and Wavesquare 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:

	2012	2011
	HK$'000	HK$'000
Assets	**310,754**	441,621
Liabilities	**(170,079)**	(233,311)
Revenue	**807,711**	1,000,116
Loss	**(31,328)**	(11,703)

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investments, at cost	**10,650**	5,777
Unlisted equity investments, at fair value	**15,091**	–
Impairment *(note 6)*	**(4,027)**	(4,027)
	21,714	1,750
Portion classified as non-current	**(6,623)**	(1,750)
Current portion	**15,091**	–

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.

As at 31 March 2012, certain unlisted equity investments with a carrying amount of HK$10,650,000 (2011: HK$5,777,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 31 March 2012, certain unlisted equity investments with a carrying amount of HK$15,091,000 (2011: Nil) were measured at fair value. The Group intend to dispose of them in the near future.

At the end of the reporting period, a full provision for impairment of HK$4,027,000 (2011: HK$4,027,000) was made for available-for-sale investments with an original carrying value (before impairment) of HK$4,027,000 (2011: HK$4,027,000) because they had 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	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**4,027**	3,921
Impairment losses recognised *(note 6)*	**–**	4,027
Derecognition on disposal	**–**	(3,921)
At end of year	**4,027**	4,027

22. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Finished goods	**296,278**	257,881

23. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**271,346**	239,160
Impairment	**(815)**	(1,284)
	270,531	237,876

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23. TRADE RECEIVABLES (continued)

The Group's trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to over 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Group has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade 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	
	2012	2011
	HK$'000	HK$'000
Current	**160,591**	195,986
1 to 30 days	**40,895**	33,436
31 to 60 days	**15,605**	7,031
Over 60 days	**54,255**	2,707
	271,346	239,160

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

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**1,284**	937
Acquisition of a subsidiary	**375**	–
Impairment losses recognised/(reversed) *(note 6)*	**(477)**	347
Amount written off as uncollectible	**(347)**	–
Exchange realignment	**(20)**	–
At end of year	**815**	1,284

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.

23. TRADE RECEIVABLES (continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**160,430**	195,986
Less than 1 month past due	**40,895**	33,436
1 to 3 months past due	**15,500**	7,031
3 to 6 months past due	**53,706**	1,423
	270,531	237,876

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**5,637**	6,779	**172**	106
Deposits and other receivables	**97,503**	24,534	**–**	–
	103,140	31,313	**172**	106
Portion classified as non-current:				
Other deposit	**(13,448)**	–	**–**	–
Current portion	**89,692**	31,313	**172**	106

In the current year, other deposit under non-current assets mainly represented a deposit paid for acquisition of a property located in Mainland China.

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 Group holds credit enhancements over its other receivables with a carrying amount of HK$31,200,000 (2011: Nil). The carrying amounts of deposits and other receivables approximate to their fair values.

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25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Managed funds, outside Hong Kong, at market value	**45,822**	45,397
Listed equity investments, at market value:		
Hong Kong	**35,300**	7,131
Elsewhere	**4,728**	146,237
Debt securities, at market value	**25,279**	24,574
	111,129	223,339

The above equity investments at 31 March 2012 and 2011 were classified as held for trading.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**–**	62,204	**–**	–
Cash and bank balances	**166,467**	225,160	**2,139**	23,582
Cash and cash equivalents	**166,467**	287,364	**2,139**	23,582

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$8,432,000 (2011: HK$2,259,000). 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.

27. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
Current	**153,918**	133,632	**–**	–
1 to 30 days	**10,263**	27,801	**–**	–
31 to 60 days	**1,538**	459	**–**	–
Over 60 days	**1,426**	1,193	**–**	–
	167,145	163,085	**–**	–
Deposits received	**7,829**	8,143	**–**	–
Accrued expenses	**35,964**	20,897	**1,844**	1,494
	210,938	192,125	**1,844**	1,494

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

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28. INTEREST-BEARING BANK BORROWINGS

Group	2012 Effective interest rate	2012 Maturity	2012	2011 Effective interest rate	2011 Maturity	2011
			HK$'000			HK$'000
Current						
Import and trust receipt loans – unsecured	1.97% – 6.75%	2013	519,873	1.76% – 2.86%	2012	505,268
Bank loans – secured	Hong Kong Interbank Offered Rate ("HIBOR") + 1.5% to HIBOR + 2.3%	2013	6,036			–
			525,909			505,268
Non-current						
Bank loans – secured	HIBOR + 1.5% to HIBOR + 2.3%	2013 – 2023	44,771			–
Bank loan – unsecured	7.14%	2013	6,752			–
			51,523			–
			577,432			505,268

	Group 2012	Group 2011
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	525,909	505,268
In the second year	12,788	–
In the third to fifth years, inclusive	18,108	–
Over five years	20,627	–
Total	577,432	505,268

Notes:

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.

Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$62,000,000 (2011: Nil); and

(ii) mortgages over the Group's land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$59,778,000 (2011: Nil).

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29. FINANCE LEASE PAYABLES

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

At 31 March 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2012	Minimum lease payments 2011	Present value of minimum lease payments 2012	Present value of minimum lease payments 2011
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable:				
Within one year	480	480	423	423
In the second year	480	480	423	423
In the third to fifth years, inclusive	663	946	588	837
After five years	148	345	131	305
Total minimum finance lease payments	1,771	2,251	1,565	1,988
Future finance charges	(206)	(263)		
Total net finance lease payables	1,565	1,988		
Portion classified as current liabilities	(423)	(423)		
Non-current portion	1,142	1,565		

As at 31 March 2012, the effective interest rates of the finance lease payables ranged from 4.3% to 5.3% (2011: ranged from 4.3% to 5.3%) per annum. The carrying amounts of the Group's finance lease payables approximate to their fair values.

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30. FINANCIAL GUARANTEE OBLIGATION

During the year, the Company has provided financial guarantees to a jointly-controlled entity (2011: an associate) in relation to the bank lending facilities granted to a jointly-controlled entity (2011: an associate), 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 2012, the carrying amount of the financial guarantee obligation of the Group amounted to HK$4,030,000 (2011: HK$1,262,000), based on the valuation from an independent professionally qualified valuer engaged by the Group, less cumulative amortisation. 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.

31. DEFERRED TAX

The movements in deferred tax liability and asset during the year are as follows:

Deferred tax liability

Group

	Depreciation allowance in excess of depreciation	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**4,042**	231
Acquisition of subsidiaries *(note 35)*	**2,644**	4,572
Deferred tax credited to the income statement during the year *(note 10)*	**(1,379)**	(769)
Exchange realignment	**(120)**	8
At end of year	**5,187**	4,042

Deferred tax asset

Group

	Recognition of tax losses	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**2,796**	–
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**(323)**	2,796
At end of year	**2,473**	2,796

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31. DEFERRED TAX (continued)

Deferred tax asset (continued)

The Group has estimated tax losses arising in Hong Kong of HK$128,467,000 (2011: HK$89,577,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. The Group also has unrecognised tax losses arising in elsewhere of HK$88,767,000 (2011: HK$39,453,000) that will expire during 2013 to 2032 for offsetting against future taxable profits. Deferred tax assets in respect of losses of approximately HK$202,162,000 (2011: HK$72,632,000) 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 2012, there was no significant unrecognised deferred tax liability (2011: 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.

32. SHARE CAPITAL

Shares

	Company	
	2012	2011
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
604,192,419 (2011: 620,560,419) ordinary shares of HK$0.10 each	**60,419**	62,056

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

(a) In the prior year, on 26 May 2010, the Company placed 57,000,000 shares at HK$1.05 per shares 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 were 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.

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32. SHARE CAPITAL (continued)

Shares (continued)

(b) In the prior year, 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 the placing of shares, before expenses, of HK$157,464,000 were used for development of LED business of the Group and general working capital of the Group.

(c) During the year ended 31 March 2012, 16,368,000 shares repurchased by the Company were cancelled in 2012. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

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 2010	466,360,419	46,636	191,298	2,660	240,594
Placing of shares	154,200,000	15,420	201,894	–	217,314
Share placing expenses	–	–	(9,965)	–	(9,965)
At 31 March 2011 and at 1 April 2011	620,560,419	62,056	383,227	2,660	447,943
Repurchase and cancellation of Company's shares	(16,368,000)	(1,637)	(10,848)	–	(12,485)
Equity-settled share option arrangements	–	–	–	1,340	1,340
Share options lapsed	–	–	–	(2,372)	(2,372)
At 31 March 2012	604,192,419	60,419	372,379	1,628	434,426

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. 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.

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33. SHARE OPTION SCHEME (continued)

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

Name or category of participant	Number of share options: At 1 April 2011	Granted during the year	Lapsed during the year	Exercised during the year	Cancelled during the year	Expired during the year	At 31 March 2012	Date of grant of share options	Exercise period of share options	Exercise price of share options	The Company's share price at grant date of share options
								(Note 1)	(both dates inclusive)	HK$ per share *(Note 2)*	HK$ per share *(Note 3)*
Directors											
So Yuk Kwan	–	620,000	–	–	–	–	620,000	15 July 2011	15 July 2011 to 12 May 2012	1.28	1.28
So Chi On	3,500,000	–	–	–	–	–	3,500,000	18 July 2007	19 July 2007 to 12 May 2012	0.50	0.50
So Chi On	–	6,200,000	–	–	–	–	6,200,000	15 July 2011	15 July 2011 to 12 May 2012	1.28	1.28
Ho Choi Yan Christopher	–	1,500,000	–	–	–	–	1,500,000	15 July 2011	15 July 2011 to 12 May 2012	1.28	1.28
Sub-total	3,500,000	8,320,000	–	–	–	–	11,820,000				
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	8,320,000	(9,320,000)	–	–	–	11,820,000				

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33. SHARE OPTION SCHEME (continued)

Notes:

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

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

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

	2012 Weighted average exercise price	**2012** Number of options	2011 Weighted average exercise price	2011 Number of options
	HK$ per share	**'000**	HK$ per share	'000
At beginning of year	**0.87**	**12,820**	0.87	12,820
Granted during the year	**1.28**	**8,320**	–	–
Lapsed during the year	**1.01**	**(9,320)**	–	–
At end of year	**1.05**	**11,820**	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:

2012

Number of options	Exercise price*	Exercise period
'000	HK$ per share	
3,500	0.50	19 July 2007 to 12 May 2012
8,320	1.28	15 July 2011 to 12 May 2012
11,820		

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33. SHARE OPTION SCHEME (continued)

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		

* 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.

The fair value of the share options granted to three directors during the year was HK$1,340,000 (2011: Nil) 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 15 July 2011, 9 March 2010 and 18 July 2007 using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	15 July 2011	9 March 2010	18 July 2007
Dividend yield (%)	5.47	4.50	–
Expected volatility (%)	46.05	66.74	0.62
Risk-free interest rate (%)	0.17	0.71	3.89
Expected life of options (year)	0.83	1.62	4.82
Weighted average share price (HK$ per share)	1.28	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.

At the end of the reporting period, the Company had 11,820,000 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 11,820,000 additional ordinary shares of the Company and additional share capital of HK$1,182,000 and share premium of HK$11,218,000 (before issue expenses).

At the date of approval of these financial statements, there were no share options outstanding under the Scheme.

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34. 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 40 to 41 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Equity-settled share-based payment expenses reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
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
Share 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 and at 1 April 2011		383,227	2,660	14,397	(13,639)	386,645
Total comprehensive income for the year	11	–	–	–	41,888	41,888
Repurchase and cancellation of Company's shares		(10,848)	–	1,637	(1,637)	(10,848)
Equity-settled share option arrangements		–	1,340	–	–	1,340
Share options lapsed		–	(2,372)	–	2,372	–
Interim 2012 dividend	12	–	–	–	(6,083)	(6,083)
At 31 March 2012		372,379	1,628	16,034	22,901	412,942

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

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35. ACQUISITION OF SUBSIDIARIES

On 31 May 2011, the Group acquired all the equity interests in Bestore Limited ("Bestore") at a cash consideration of HK$811,000. The principal activity of Bestore is investment holding.

On 3 June 2011, the Group acquired an additional 50% equity interest in a former associate, Signeo Venture Partners Limited ("SVP") (formerly known as Darwin Investment Strategies Limited), at a cash consideration of HK$1, and SVP has become a wholly-owned subsidiary of the Group. The principal activity of SVP is investment holding.

On 8 July 2011, the Group acquired all the equity interests in P&S at a cash consideration of KRW6,209,700,000 (equivalent to HK$45,444,000). The principal activity of P&S is the trading of electronic components.

On 23 February 2012, the Group acquired an additional 50% equity interest in a former jointly-controlled entity, FLEX, at a cash consideration of HK$1, and FLEX has become a wholly-owned subsidiary of the Group. FLEX was dormant during the year.

35. ACQUISITION OF SUBSIDIARIES (continued)

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

		Bestore	P&S	SVP and FLEX	Fair value recognised on acquisition
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	*14*	–	4,391	–	4,391
Intangible assets	*17*	–	403	–	403
Intangible assets in relation to customer relationships	*17*	–	10,927	–	10,927
Other deposits		–	249	–	249
Equity investments at fair value through profit or loss		24,294	–	–	24,294
Inventories		–	39,342	–	39,342
Trade and other receivables		–	42,634	–	42,634
Loan to an ex-shareholder		–	–	15,964	15,964
Amount due from a shareholder		–	–	15,964	15,964
Cash and bank balances		11	3,302	63	3,376
Trade and other payables		(23,494)	(37,911)	–	(61,405)
Amounts due to a shareholder and fellow subsidiaries of the shareholder		–	–	(1,393)	(1,393)
Interest-bearing bank borrowings		–	(24,362)	–	(24,362)
Tax payables		–	(1,270)	–	(1,270)
Deferred tax liabilities	*31*	–	(2,644)	–	(2,644)
Total identifiable net assets at fair value		811	35,061	30,598	66,470
Waiver of a loan to an ex-shareholder		–	–	(15,964)	(15,964)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	*5*	–	–	(19)	(19)
Goodwill on acquisition	*16*	–	10,383	683	11,066
		811	45,444	15,298	61,553
Fair value of equity interest previously held as:					
Investments in associates		–	–	684	684
Investment in a jointly-controlled entity		–	–	(15,982)	(15,982)
Satisfied by cash		811	45,444	–	46,255

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35. ACQUISITION OF SUBSIDIARIES (continued)

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 the trading of consumer electronic products.

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

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

The fair 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 relationships	*17*	27,710
Deferred tax liabilities	*31*	(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 interests previously held as investments in associates		(4,305)
		34,340

35. ACQUISITION OF SUBSIDIARIES (continued)

	HK$'000
Satisfied by cash	28,100
Satisfied by conversion of a convertible note	6,240
	34,340

The fair values of trade and other receivables as at the date of acquisition amounted to HK$42,634,000 (2011: HK$27,143,000). The gross contractual amount of trade and other receivables was HK$43,009,000 (2011: HK$27,143,000), of which HK$375,000 (2011: Nil) is expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2012	2011
	HK$'000	HK$'000
Cash consideration	**(46,255)**	(28,100)
Repayment of amounts due from former shareholders	**–**	9,266
Cash and bank balances acquired	**3,376**	6,688
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(42,879)**	(12,146)

Since the acquisitions, the acquired subsidiaries contributed HK$140,036,000 (2011: HK$238,781,000) to the Group's turnover and HK$1,435,000 (2011: HK$8,278,000) to the consolidated profit for the year ended 31 March 2012.

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$3,429,757,000 (2011: HK$3,184,254,000) and HK$2,558,000 (2011: HK$125,199,000), respectively.

The Group incurred transaction costs of HK$1,332,000 (2011: HK$330,000) for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement. Gain on a bargain purchase of HK$19,000 of FLEX during the year was recognised in the income statement because the acquisition was a bargain purchase.

NOTES TO FINANCIAL STATEMENTS

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36. DISPOSAL OF SUBSIDIARIES

Pursuant to the approval of the share transfer agreement dated 31 May 2011, the Group disposed of all equity interests in Dragon Favour Technology Limited at a cash consideration of RMB40,800,000 (equivalent to approximately HK$49,337,000).

On 19 January 2012, the Group disposed of all equity interests in Megatech Technology Limited to a jointly-controlled entity at a cash consideration of HK$288,000.

On 2 February 2012, the Group disposed of 68.75% equity interests in Signeo Venture Limited (formerly known as Memoriki Venture Limited) at a cash consideration of HK$7,000.

On 21 February 2012, the Group disposed of all equity interests in Bestore at a cash consideration of HK$1,008,000.

	Note	HK$'000
Net assets disposed of:		
Investments in associates		33,872
Amount due from an associate		1,244
Available-for-sale investments		4,000
Equity investments at fair value through profit or loss		25,489
Trade and other receivables		9,478
Cash and bank balances		3,163
Trade payables		(6,322)
Amounts due to fellow subsidiaries		(6,911)
Amount due to an associate		(500)
Other payables		(27,394)
Sale loan		(31,466)
		4,653
Fair value of investments in associates retained and reclassified to available-for-sale investments upon disposal		(15,091)
Sale loan		31,466
Gain on disposal of subsidiaries	*6*	29,612
Consideration		50,640
Satisfied by:		
Cash		50,640

36. DISPOSAL OF SUBSIDIARIES (continued)

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

	HK$'000
Cash consideration	50,640
Cash and bank balances disposed of	(3,163)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	47,477

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

In the current year, the Group's investments in associates of HK$15,091,000 were transferred to available-for-sale investments.

In the current year, the increase in an investment in a jointly-controlled entity amounted to HK$4,030,000 was attributable to the recognition of financial guarantee obligation of HK$5,070,000 and the derecognition of financial guarantee obligation of HK$1,040,000 at the end of the reporting period.

In the current year, the decrease in investments in associates (2011: an investment in a jointly-controlled entity) amounted to HK$1,262,000 (2011: HK$4,329,000) was attributable to the derecognition of financial guarantee obligation of HK$1,262,000 (2011: HK$4,329,000) at the end of the reporting period.

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

In the prior 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.

In the prior 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.

NOTES TO FINANCIAL STATEMENTS

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38. CONTINGENT LIABILITIES

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of facilities granted to:				
– subsidiaries	**–**	–	**1,900,135**	1,991,735
– an associate	**–**	166,150	**–**	166,150
– a jointly-controlled entity	**424,650**	–	**424,650**	–
	424,650	166,150	**2,324,785**	2,157,885

As at 31 March 2012, 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$543,043,000 (2011: HK$506,126,000).

As at 31 March 2012, the bank lending facilities granted to a jointly-controlled entity (2011: an associate) subject to cross-guarantees given to the banks by the Company were utilised to the extent of approximately HK$325,723,000 (2011: HK$131,595,000). For the financial guarantees provided to a jointly-controlled entity (2011: an associate) in relation to the bank lending facilities granted, the Group has recognised the fair value of the financial guarantee obligation of the Group amounting to HK$4,030,000 (2011: HK$1,262,000) as a liability as at 31 March 2012 which was disclosed in note 30 to the financial statements.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties (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 prevailing market conditions.

At 31 March 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**2,791**	142
In the second to fifth years, inclusive	**1,211**	–
	4,002	142

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39. OPERATING LEASE ARRANGEMENTS (continued)

(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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**2,033**	1,754
In the second to fifth years, inclusive	**1,231**	1,991
	3,264	3,745

At 31 March 2012, the Company had no operating lease arrangements (2011: Nil).

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments in respect of acquisition of properties:				
Contracted but not provided for	**10,973**	–	**–**	–
Capital commitments in respect of capital contribution payable to a jointly-controlled entity:				
Contracted but not provided for	**30,000**	–	**–**	–
	40,973	–	**–**	–

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41. RELATED PARTY TRANSACTIONS

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

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Associates:			
Sales of products	*(i)*	**8,159**	–
Purchases of products	*(i)*	**124**	98
Management fee income	*(ii)*	**8,347**	6,330
Management fee expenses	*(ii)*	**129**	–
Handling charges	*(iii)*	**–**	653
Rental income	*(iv)*	**757**	–
Interest income	*(v)*	**148**	–
Trademark license income	*(vi)*	**505**	–
Promotional expenses	*(ix)*	**341**	–
Jointly-controlled entities:			
Sales of products	*(i)*	**159,798**	–
Purchases of products	*(i)*	**182**	88,726
Management fee income	*(ii)*	**15**	245
Handling charges	*(iii)*	**693**	–
Interest income	*(x)*	**–**	153
Proceeds from disposal of a subsidiary	*(vii)*	**288**	–
Proceeds from disposal of items of property, plant and equipment	*(viii)*	**45**	–
Related companies:			
Sales of products	*(xi)*	**–**	297
Purchases of products	*(xii)*	**–**	8,140
Management fee income	*(ii)*	**390**	1,385

41. RELATED PARTY TRANSACTIONS (continued)

Notes:

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

(ii) The management fee income and expenses 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 an amount mutually agreed between the parties.

(iv) Rental income was charged in accordance with the respective tenancy agreements.

(v) Interest income was charged at 6% (2011: Nil) on the amount due from an associate.

(vi) The trademark license income from an associate was made with reference to the actual cost incurred.

(vii) The consideration was mutually agreed in accordance with the terms of the sales and purchase agreement.

(viii) The consideration was determined according to mutually agreed prices between the parties.

(ix) The promotion expenses were charged with reference to the price mutually agreed.

(x) In the prior year, interest income was charged at prevailing market rates on a certain balance with a jointly-controlled entity.

(xi) In the prior year, the sales to a related company were made according to the published prices and conditions offered to the major customers of the Group.

(xii) In the prior year, the purchases from a related company were made according to the published prices and conditions offered by the related company to its major customers.

(b) Commitments with related parties

On 2 September 2011, New Concept, a subsidiary of the Company and Memoriki Limited ("Memoriki"), an associate of the Group, entered into a tenancy agreement in relation to the leasing out of Units 1, 2, 3, 5, 6, 7 and 8 on 12th Floor, Enterprise Square Two, No.3 Sheung Yuet Road, Kowloon, Hong Kong as office premises for a term of 2 years commencing from 3 September 2011 at a monthly rent of HK$160,000. The amount of total rents received from Memoriki for the year is included in note 41(a) to the financial statements. The Group expects total rents receivable from Memoriki for the years ending 31 March 2013 and 31 March 2014 to be approximately HK$1,746,000 and HK$737,000, respectively.

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41. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

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

42. FINANCIAL INSTRUMENTS BY CATEGORY

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

2012

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*	16,325	–	–	16,325
Due from associates	*20*	26,982	–	–	26,982
Available-for-sale investments	*21*	–	–	21,714	21,714
Trade receivables	*23*	270,531	–	–	270,531
Financial assets included in prepayments, deposits and other receivables	*24*	97,503	–	–	97,503
Equity investments at fair value through profit or loss	*25*	–	111,129	–	111,129
Cash and cash equivalents	26	166,467	–	–	166,467
		577,808	111,129	21,714	710,651

42. 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)

2012

Financial liabilities

	Notes	**Group Financial liabilities at amortised cost**
		HK$'000
Trade payables	*27*	**167,145**
Interest-bearing bank borrowings	*28*	**577,432**
Finance lease payables	*29*	**1,565**
Financial guarantee obligation	*30*	**4,030**
		750,172

2011

Financial assets

	Notes	Group Loans and receivables	 Financial assets at fair value through profit or loss	 Available-for-sale financial assets	 Total
		HK$'000	HK$'000	HK$'000	HK$'000
Due from associates	*20*	22,766	–	–	22,766
Available-for-sale investments	*21*	–	–	1,750	1,750
Trade receivables	*23*	237,876	–	–	237,876
Financial assets included in prepayments, deposits and other receivables	*24*	24,534	–	–	24,534
Equity investments at fair value through profit or loss	*25*	–	223,339	–	223,339
Cash and cash equivalents	*26*	287,364	–	–	287,364
		572,540	223,339	1,750	797,629

NOTES TO FINANCIAL STATEMENTS

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42. *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

Financial liabilities

		Group Financial liabilities at amortised cost
	Notes	HK$'000
Due to a jointly-controlled entity	*19*	18,105
Trade payables	*27*	163,085
Interest-bearing bank borrowings	*28*	505,268
Finance lease payables	*29*	1,988
Financial guarantee obligation	*30*	1,262
		689,708

Financial assets

		Company	
		2012	2011
		Loans and receivables	Loans and receivables
	Notes	**HK$'000**	HK$'000
Due from subsidiaries	*18*	**501,468**	484,875
Cash and bank balances	*26*	**2,139**	23,582
		503,607	508,457

Financial liability

		2012	2011
		Financial liability at amortised cost	Financial liability at amortised cost
	Note	**HK$'000**	HK$'000
Due to subsidiaries	*18*	**48,182**	48,182

43. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from a jointly-controlled entity	**16,325**	–	**16,325**	–
Due from associates	**26,982**	22,766	**26,982**	22,766
Available-for-sale investments	**21,714**	1,750	**21,714**	1,750
Trade receivables	**270,531**	237,876	**270,531**	237,876
Financial assets included in prepayments, deposits and other receivables	**97,503**	24,534	**97,503**	24,534
Equity investments at fair value through profit or loss	**111,129**	223,339	**111,129**	223,339
Cash and cash equivalents	**166,467**	287,364	**166,467**	287,364
	710,651	797,629	**710,651**	797,629
Financial liabilities				
Due to a jointly-controlled entity	**–**	18,105	**–**	18,105
Trade payables	**167,145**	163,085	**167,145**	163,085
Interest-bearing bank borrowings	**577,432**	505,268	**577,432**	505,268
Finance lease payables	**1,565**	1,988	**1,565**	1,988
Financial guarantee obligation	**4,030**	1,262	**4,030**	1,262
	750,172	689,708	**750,172**	689,708

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43. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from subsidiaries	**501,468**	484,875	**501,468**	484,875
Cash and bank balances	**2,139**	23,582	**2,139**	23,582
	503,607	508,457	**503,607**	508,457
Financial liabilities				
Due to subsidiaries	**48,182**	48,182	**48,182**	48,182

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:

The fair values of cash and cash equivalents, trade 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 amounts due from associates and amount due to a jointly-controlled entity, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of listed equity investments are based on quoted market prices.

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 values 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)

43. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Assets measured at fair value:

Group

As at 31 March 2012:

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Available-for-sale investments	–	15,091	15,091
Equity investments at fair value through profit or loss	111,129	–	111,129
	111,129	15,091	126,220

As at 31 March 2011:

	Level 1
	HK$'000
Equity investments at fair value through profit or loss	223,339

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 (2011: Nil).

The Company did not have any financial assets measured at fair value as at 31 March 2012 and 31 March 2011.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 March 2012 and 31 March 2011.

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31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, finance lease payables, cash and bank balances, and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also exposed to equity price risk in respect of 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, liquidity risk and market price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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
2012		
Hong Kong dollars	10	(579)
Hong Kong dollars	(10)	579
2011		
Hong Kong dollars	10	(507)
Hong Kong dollars	(10)	507

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31 March 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

Credit risk

The Group trades only with recognised and creditworthy third parties, associates, jointly-controlled entities 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 deposits and other receivables, 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 30 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, associates, jointly-controlled entities and a related company, there is no requirement for collateral except that the Group holds credit enhancements over its other receivables with a carrying amount of HK$31,200,000 (2011: Nil). 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 receivables are disclosed in note 23 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	2012				
	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	**167,145**	**–**	**–**	**–**	**167,145**
Interest-bearing bank borrowings	**529,904**	**14,451**	**20,134**	**21,665**	**586,154**
Finance lease payables	**480**	**480**	**663**	**148**	**1,771**
Guarantees given to banks in connection with facilities granted to a jointly-controlled entity	**325,723**	**–**	**–**	**–**	**325,723**
	1,023,252	**14,931**	**20,797**	**21,813**	**1,080,793**

	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	163,085	–	–	–	163,085
Interest-bearing bank borrowings	507,009	–	–	–	507,009
Finance lease payables	480	480	946	345	2,251
Guarantees given to banks in connection with facilities granted to an associate	131,595	–	–	–	131,595
	820,274	480	946	345	822,045

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2012 Within 1 year or on demand	2011 Within 1 year or on demand
	HK$'000	HK$'000
Due to subsidiaries	**48,182**	48,182
Guarantees given to banks in connection with facilities granted to subsidiaries	**543,043**	506,126
Guarantees given to banks in connection with facilities granted to a jointly-controlled entity	**325,723**	–
Guarantees given to banks in connection with facilities granted to an associate	**–**	131,595
	916,948	685,903

Market price risk

Market price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to market price risk arising from individual equity investments classified as trading equity investments (note 25) as at 31 March 2012. Most of the Group's listed investments are listed on the Hong Kong Stock Exchange and Korean Securities Dealers Automated Quotations ("KOSDAQ") and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Hong Kong Stock Exchange and KOSDAQ, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 March 2012	**High/low 2012**	31 March 2011	High/low 2011
Hong Kong – Hang Seng Index	**20,556**	**24,468/ 16,170**	23,527	24,434/ 18,971
Korean Securities Dealers Automated Quotations	**519.56**	**545.47/ 408.35**	525.42	539.54/ 436.39

The following table demonstrates the sensitivity to every 5% change in the fair values of the listed equity investments, with all other variables held constant, of the Group's profit before tax and the Group's equity, based on their carrying amounts at the end of the reporting period.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market price risk (continued)

	Carrying amount	Increase/decrease in profit before tax	Increase/decrease in equity*
	HK$'000	**HK$'000**	**HK$'000**
2012			
Equity investments at fair value through profit or loss	**111,129**	**5,556**	**–**

	Carrying amount	Increase/decrease in profit before tax	Increase/decrease in equity*
	HK$'000	HK$'000	HK$'000
2011			
Equity investments at fair value through profit or loss	223,339	11,167	–

* Excluding retained profits

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 2012 and 31 March 2011.

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 at 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:

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Group

	2012	2011
	HK$'000	HK$'000 (Restated)
Interest-bearing bank borrowings	**577,432**	505,268
Finance lease payables	**1,565**	1,988
Less: Cash and cash equivalents	**(166,467)**	(287,364)
Less: Equity investments at fair value through profit or loss	**(111,129)**	(223,339)
Net debt/(surplus)	**301,401**	(3,447)
Total capital	**634,692**	680,172
Gearing ratio	**47%**	N/A

45. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of Nitgen&Company Co., Ltd.

On 10 May 2012, New Concept, a wholly-owned subsidiary of the Company and Ocean Be Holdings Co., Ltd. (the "Vendor") entered into a sales and purchase agreement whereby New Concept has conditionally agreed to acquire from the Vendor 7,179,925 common shares of Nitgen&Company Co., Ltd. ("Nitgen"), representing approximately 20.28% of the issued shares of Nitgen (the "Nitgen Acquisition"). Nitgen's shares are listed on KOSDAQ and Nitgen is principally engaged in the provision of biometric solutions.

The total consideration for the Nitgen Acquisition is KRW13 billion (equivalent to approximately HK$88.44 million), subject to adjustments.

Further details on the investment are included in the Company's announcement on 10 May 2012.

The Nitgen Acquisition has not yet been completed as at the date of approval of these financial statements.

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31 March 2012

45. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) Formation of a joint venture and subscription of the joint venture company's shares

(i) Initial Subscription in Joint Venture Company (as defined below)

On 8 June 2012, AV Electronics Group Limited ("AVEGL"), a wholly-owned subsidiary of the Group and Forever Century Limited ("FCL") and Law Lai Sim Sara entered into the Joint Venture Agreement pursuant to which immediately after signing of the Joint Venture Agreement, FCL has acquired the one subscriber's share of Asset Vehicle Investments Limited (the "Joint Venture Company") at HK$1, and AVEGL and FCL have subscribed for 85 Joint Venture Company's shares at HK$85 and for 14 Joint Venture Company's shares at HK$14 respectively (the "Initial Subscription"), after which the Joint Venture Company has become a company owned as to 85% by AVEGL and as to 15% by FCL.

(ii) Additional Subscription in the Joint Venture Company

If the Joint Venture Company would proceed with the acquisition of 深圳市威爾達電子有限公司, Welldone Electronics (Hong Kong) Limited and Khuawei Technology (Hong Kong) Limited, collectively, the "Target Companies" (the "Acquisition") and subject to the fulfilment upon the approval having been obtained from the shareholders for the subscription by AVEGL and FCL for 765 Joint Venture Company's shares at a subscription price of HK$42,223,410 and 135 Joint Venture Company's shares at a subscription price of HK$7,451,190 respectively (the "Additional Subscription") and the Acquisition on or before 31 October 2012 (or such other date agreed by AVEGL and FCL). If such condition precedent is not fulfilled by 31 October 2012 (or such other date agreed by AVEGL and FCL), the Additional Subscription shall not proceed. In such case, notwithstanding any provisions in the Joint Venture Agreement, AVEGL shall forthwith acquire from FCL, and FCL shall forthwith sell to AVEGL, the 15 Joint Venture Company's shares owned by FCL at HK$1 per Joint Venture Company's share.

Further details on the investment are included in the Company's announcement on 8 June 2012.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 June 2012.