1. CORPORATE INFORMATION

The registered office of AV Concept Holdings Limited is located at Ugland House, South Church Street, P.O. Box 309, 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 involved in the following principal activities:

- Marketing and distribution of electronic components; and

- Design, manufacture and sale of electronic products.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 3 "Business Combinations" applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have any business combinations during the year and accordingly, this HKFRS has had no impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which also include Statements of Standard Accounting Practice and Interpretations) issued by the 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 the remeasurement of short term investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

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

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

Joint venture companies

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company'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 company is treated as:

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

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

(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 company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates *(continued)*

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five to twenty years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Goodwill remaining eliminated against consolidated reserves is reviewed annually and written down for impairment where it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining lease terms
Buildings	2%
Leasehold improvements	20% – $33^1/_3$%
Furniture, fittings and office equipment	20% – $33^1/_3$%
Plant, machinery and tools	20% – 50%
Motor vehicles	20%

Freehold land is not depreciated.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Research and development costs and trademarks

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the estimated commercial lives of the underlying products ranging from two to five years, commencing from the date when the products are put into commercial production.

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

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses, on an individual asset basis.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets 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 profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

Long term investments

Long term investments in listed and unlisted equity securities intended to be held for a continuing strategic or long term purpose are stated at cost less any impairment losses on an individual investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long term investments *(continued)*

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Short term investments

Short term investments, which include managed funds and listed equity securities, are held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The unrealised gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Allowance is made for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

(i) except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

(i) except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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) commission income, in the accounting period in which the services are provided;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(d) dividend income, when the shareholder's right to receive payment has been established;

(e) from the disposal of long term investments, on the transaction date when the relevant contract is entered into; and

(f) from the disposal of fixed assets, when the significant risks and rewards of ownership have been transferred to the buyer.

Employee benefits

Paid leave carried forward

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

Employment ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account 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 mandatory contributions vest fully with the employees when contributed into the MPF Scheme. The Group's employer voluntary contributions are refundable to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes (continued)

The employees of the Group's principal subsidiaries, namely, AV Concept Singapore Pte. Ltd., and 先升电子（深圳）有限公司 which operates in Singapore and Mainland China, respectively, are required to participate in pension schemes operated by their local municipal governments. These subsidiaries, which operate in their respective countries are required to contribute a fixed percentage of their payroll costs to the pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the pension scheme.

Share option scheme

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. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which are lapsed, are deleted from the register of outstanding options.

Dividends

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

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

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

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

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

4. SEGMENT INFORMATION *(continued)*

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Marketing and distribution		Design and manufacture		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*
Segment revenue:								
Sales to external customers	**1,878,210**	1,484,312	**409,144**	287,161	**–**	–	**2,287,354**	1,771,473
Intersegment sales	**98,192**	85,572	**–**	2,085	**(98,192)**	(87,657)	**–**	–
Other revenue	**177**	92	**3,819**	1,615	**–**	–	**3,996**	1,707
Total	**1,976,579**	1,569,976	**412,963**	290,861	**(98,192)**	(87,657)	**2,291,350**	1,773,180
Segment results	**29,655**	40,038	**18,130**	24,925	**–**	–	**47,785**	64,963
Interest income							**1,134**	27
Dividend income from a long term listed investment							**1,240**	2,327
Unrealised holding (loss)/gain on short term investments							**(6,075)**	683
Gain on partial disposal of a long term listed investment							**197,663**	85,880
Gain on disposal of fixed assets							**6,771**	5
Impairment of a long term unlisted investment							**–**	(975)
Impairment of other assets							**–**	(335)
Impairment of fixed assets							**(907)**	–
Unallocated income/(expenses)							**6,161**	(1,101)
Profit from operating activities							**253,772**	151,474
Finance costs							**(11,396)**	(9,077)
Profit before tax							**242,376**	142,397
Tax							**(32,266)**	(16,427)
Net profit from ordinary activities attributable to shareholders							**210,110**	125,970

4. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Group

	Marketing and distribution		Design and manufacture		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**477,525**	391,314	**319,475**	309,863	**797,000**	701,177
Unallocated assets					**253,889**	93,122
Total assets					**1,050,889**	794,299
Segment liabilities	**107,278**	88,738	**76,277**	85,574	**183,555**	174,312
Unallocated liabilities					**393,437**	313,142
Total liabilities					**576,992**	487,454
Other segment information:						
Depreciation	**2,605**	2,435	**12,420**	11,303	**15,025**	13,738
Unallocated depreciation					**1,220**	6
					16,245	13,744
Amortisation and write-off of intangible assets	**–**	–	**1,992**	1,714	**1,992**	1,714
Other non-cash expenses	**907**	–	**–**	–	**907**	–
Unallocated non-cash expenses					**–**	1,310
					907	1,310
Provision for bad and doubtful debts	**1,946**	1,890	**3,029**	1,505	**4,975**	3,395
Capital expenditure	**3,322**	4,634	**10,368**	23,061	**13,690**	27,695
Unallocated capital expenditure					**47,566**	–
					61,256	27,695

4. SEGMENT INFORMATION *(continued)*

Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Singapore		Korea		Other locations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*
Segment revenue:												
Sales to external customers	**1,710,611**	1,486,703	**1,557**	–	**315,542**	193,942	**113,996**	50,842	**145,648**	39,986	**2,287,354**	1,771,473
Other segment information:												
Segment assets	**395,177**	361,125	**284,526**	277,466	**111,669**	62,586	**–**	–	**5,628**	–	**797,000**	701,177
Capital expenditure	**54,630**	7,968	**4,951**	19,373	**1,643**	354	**–**	–	**32**	–	**61,256**	27,695

5. TURNOVER

Turnover comprises the net invoiced value of goods sold, net of returns and discounts and after the eliminations of intra-group transactions, and commissions received on distribution.

	Group	
	2005	2004
	HK$'000	*HK$'000*
Marketing and distribution of electronic components	**1,878,210**	1,484,312
Design, manufacture and sale of electronic products	**409,144**	287,161
	2,287,354	1,771,473

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	2005 HK$'000	2004 HK$'000
Depreciation	14	**16,245**	13,744
Amortisation of intangible assets*	15	**1,992**	1,528
Write-off of intangible assets*		**–**	186
Provision for bad and doubtful debts***		**4,975**	3,395
Minimum lease payments under operating leases in respect of land and buildings		**4,034**	3,347
Auditors' remuneration		**1,000**	950
Impairment of fixed assets***	14	**907**	–
Impairment of a long term unlisted investment***		**–**	975
Impairment of other assets***		**–**	335
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		**72,146**	50,182
Pension scheme contributions		**2,323**	1,845
Less: Forfeited contributions#		**(17)**	(474)
Net pension scheme contributions		**2,306**	1,371
		74,452	51,553
Gain on disposal of fixed assets**		**(6,771)**	(5)
Exchange gains, net***		**(6,625)**	(64)
Unrealised holding loss/(gain) on short term investments***		**6,075**	(683)
Dividend income from a long term listed investment**		**(1,240)**	(2,327)
Interest income**		**(1,134)**	(27)

* The amortisation and write-off of intangible assets for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

** These items are included in "Other revenue" on the face of the consolidated profit and loss account.

*** These items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

\# The amounts of forfeited contributions available to the Group to reduce contributions in future years are not material.

7. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**11,008**	8,879
Interest on mortgage loan wholly repayable beyond five years	**206**	–
Interest on finance leases	**182**	198
	11,396	9,077

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fees	**230**	100
Other emoluments:		
Salaries, housing, other allowances and benefits in kind	**11,236**	10,527
Pension scheme contributions	**362**	452
	11,598	10,979
	11,828	11,079

Fees of HK$230,000 (2004: HK$100,000) were payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors for the year (2004: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is set out below:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**4**	4
HK$1,000,001 – HK$1,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**1**	1
	8	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the directors of the Company in respect of their services to the Group.

During the year, no emoluments were paid by the Group to the directors of the Company (including the five highest paid individuals) as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,275**	1,242
Pension scheme contributions	**–**	–
	1,275	1,242

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director, highest paid employees whose remuneration fell within the following band is set out below:

	2005 **Number of employees**	2004 Number of employees
HK$1,000,001 – HK$1,500,000	**1**	1

During the year, no share options was granted to the non-director, highest paid employee in respect of her service to the Group.

During the year, no emoluments were paid by the Group to the non-director, highest paid employee as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates ranging from 11% to 33% (2004: 11% to 22%) in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	Group	
	2005 ***HK$'000***	2004 *HK$'000*
Current:		
Hong Kong – Charge for the year	**5,044**	5,297
Hong Kong – Under/(over)provision in prior years	**95**	(636)
Elsewhere – Charge for the year#	**24,571**	10,186
Elsewhere – Underprovision in prior years	**172**	181
Deferred – note 27	**2,384**	1,399
Total tax charge for the year	**32,266**	16,427

10. TAX *(continued)*

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Profit before tax	**242,376**	142,397
Tax at the applicable rates to profits in the countries concerned#	**64,946**	35,125
Adjustments in respect of current tax of previous periods	**267**	(455)
Income not subject to tax	**(34,975)**	(16,690)
Expenses not deductible for tax purpose	**1,169**	1,305
Tax losses not recognised	**867**	–
Tax losses utilised from previous periods	**(8)**	(2,858)
Total tax charge for the year	**32,266**	16,427

\# *The amounts include capital gains tax arising from the partial disposal of a long term listed investment in Korea (note 18).*

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$180,209,000 (2004: HK$89,672,000) *(note 30(b))*.

12. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim – HK2.8 cents (2004: HK2.5 cents) per ordinary share	**11,342**	10,079
Special – Nil (2004: HK10 cents) per ordinary share	**–**	40,508
Proposed final – HK16 cents (2004: HK8 cents) per ordinary share	**64,813**	32,407
	76,155	82,994

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

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK$210,110,000 (2004: HK$125,970,000) and the 405,082,419 (2004: weighted average of 378,318,857) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2005 and 2004 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic earnings per share for these years.

14. FIXED ASSETS

Group

	Land and buildings (Hong Kong) HK$'000	Land and buildings (Overseas) HK$'000	Leasehold improvements HK$'000	Furniture, fittings and office equipment HK$'000	Plant, machinery and tools HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:							
At beginning of year	22,852	9,289	17,025	12,007	76,826	7,513	145,512
Additions	43,057	–	6,153	3,218	5,339	2,286	60,053
Disposals	(22,392)	–	(1,021)	–	(62)	(946)	(24,421)
Exchange realignment	–	146	–	44	–	48	238
At 31 March 2005	43,517	9,435	22,157	15,269	82,103	8,901	181,382
Accumulated depreciation and impairment:							
At beginning of year	11,999	2,672	13,094	8,634	32,909	4,237	73,545
Depreciation provided during the year	646	137	2,681	1,881	9,293	1,607	16,245
Impairment during the year recognised in the profit and loss account – note 6	–	907	–	–	–	–	907
Disposals	(12,132)	–	(770)	–	(62)	(868)	(13,832)
Exchange realignment	–	49	–	37	–	26	112
At 31 March 2005	513	3,765	15,005	10,552	42,140	5,002	76,977
Net book value:							
At 31 March 2005	**43,004**	**5,670**	**7,152**	**4,717**	**39,963**	**3,899**	**104,405**
At 31 March 2004	10,853	6,617	3,931	3,373	43,917	3,276	71,967

14. FIXED ASSETS *(continued)*

The land and buildings at cost included above are held under the following lease terms:

	Hong Kong	Overseas	Total
	HK$'000	*HK$'000*	*HK$'000*
Freehold	–	9,435	9,435
Medium term leases	43,517	–	43,517
	43,517	9,435	52,952

Certain land and buildings with a carrying value of HK$37,931,000 (2004: HK$8,246,000) held by the Group were pledged to a bank to secure a mortgage loan granted to the Group (note 24).

The net carrying value of fixed assets held under finance leases as at 31 March 2005 included motor vehicles of HK$1,982,000 (2004: HK$1,468,000) and plant and machinery of HK$7,462,000 (2004: HK$10,002,000). The depreciation charge for the year in respect of such assets amounted to HK$1,948,000 (2004: HK$1,782,000).

15. INTANGIBLE ASSETS

Group

	Trademarks	Deferred development costs	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At beginning of year	–	4,133	4,133
Additions	732	471	1,203
At 31 March 2005	732	4,604	5,336
Accumulated amortisation:			
At beginning of year	–	1,703	1,703
Provided during the year – note 6	154	1,838	1,992
At 31 March 2005	154	3,541	3,695
Net book value:			
At 31 March 2005	578	1,063	1,641
At 31 March 2004	–	2,430	2,430

16. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**55,015**	55,015
Due from subsidiaries	**364,391**	197,877
Due to subsidiaries	**(15,676)**	(15,676)
	403,730	237,216
Provision for impairment	**(16,564)**	(16,564)
	387,166	220,652

The amounts due from/(to) subsidiaries included in the Company's balance sheet are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AV Electronics Group Limited	British Virgin Islands/ Hong Kong	US$40,000	100	–	Investment holding
AV Chaseway Limited ("AV Chaseway")	Hong Kong	HK$10,000,000	–	100	Manufacture and trading of electronic products
AV Concept (China) Industrial Co., Limited ("AVCC")	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
AVC Technology Limited	Hong Kong	HK$9,900,000 HK$100,000@	– –	100 100	Trading of electronic products

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows *(continued)*:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AV Concept Singapore Pte. Ltd.	Singapore	S$4,000,000	–	100	Trading of electronic components
AVC Medical Technology Limited (formerly known as AVT Holdings Limited)	British Virgin Islands/ Hong Kong	US$1	100	–	Dormant
AVC Manufacturing Services Limited#	Hong Kong	HK$1	–	100	Procurement of electronic components
New Concept Capital Limited#	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
SIGN Limited#	Hong Kong	HK$1	–	100	Brand holding
先升电子(深圳)有限公司*#	People's Republic of China/ Mainland China	HK$5,000,000	–	100	Manufacture and trading of electronic products

Newly incorporated/established subsidiaries during the year

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

* Registered as a wholly-owned foreign enterprise under the PRC law

Subsequent to the balance sheet date, on 25 April 2005, AVCC entered into a conditional agreement (as supplemented by an agreement dated 28 April 2005) with BreconRidge Manufacturing Solutions Corporation ("BreconRidge"), an independent third party incorporated in Canada principally engaged in the provision of electronic manufacturing services for multinational customers, to dispose of its equity interests in AV Chaseway in two tranches in consideration for certain interests in the common shares of BreconRidge (the "Transaction"). Further details of the Transaction are set out in note 35(a) to the financial statements.

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

17. INTERESTS IN ASSOCIATES

	Group 2005 HK$'000	Group 2004 HK$'000
Share of net assets	**386**	386
Goodwill on acquisition	**958**	958
	1,344	1,344
Provision for impairment	**(1,344)**	(1,344)
	–	–

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2005	Percentage of equity attributable to the Group 2004	Principal activities
Easyband Broadband Holdings Limited*	Corporate	British Virgin Islands	36	36	Investment holding
Easyband Technology (Guangzhou) Co., Limited*	Corporate	People's Republic of China/ Mainland China	36	36	Trading of hardware and software products and the provision of broadband and related technical support services
Guangzhou Thinker E-Commerce Co., Ltd.*	Corporate**	People's Republic of China/ Mainland China	35	35	Provision of systems integration and e-commerce related services

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

** This associate has no issued share capital and is formed under a joint venture agreement.

18. LONG TERM INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Listed equity investment, at cost	**7,417**	27,811	**7,049**	26,429
Unlisted equity investment, at cost	**1,950**	1,950	**–**	–
Provision for impairment	**(1,950)**	(1,950)	**–**	–
	7,417	27,811	**7,049**	26,429

As at 31 March 2005, the Group and the Company held a 3.3% (2004: 12.4%) equity interest in Reigncom Limited ("Reigncom") which represented 440,505 shares (2004: 825,840 shares). Reigncom is a Korean company listed on the KOSDAQ Stock Exchange, Inc. ("KOSDAQ") in the Republic of Korea, and together with its subsidiaries are principally engaged in the design and sale of MP3 players and other electronic products worldwide.

On 30 June 2004, Reigncom issued bonus shares to all existing shareholders at that date in the proportion of one bonus share for every share held (the "Reigncom Bonus Issue"). As a result of the Reigncom Bonus Issue, a total number of 825,840 bonus shares in Reigncom were issued to the Company during the year.

Between 31 August 2004 and 8 March 2005, the Company sold a total number of 1,211,175 shares in Reigncom through a series of transactions for aggregate net proceeds of HK$218,057,000 (the "Reigncom Disposals"). The Reigncom Disposals resulted in a net pre-tax gain of HK$197,663,000 for the current year. In connection with the gain arising from the Reigncom Disposals, the Group recorded a capital gains tax payable of HK$24,179,000 as at 31 March 2005 (note 10).

As in the prior year, the Group intended to hold Reigncom shares for long term strategic purposes as the Group continued to render electronic manufacturing services ("EMS") to Reigncom during the year for the manufacture of its MP3 players. Pursuant to a directors' meeting held on 15 January 2005, the directors of the Company determined that the Group's remaining interests in Reigncom shares would still be held for long term strategic purposes so as to maintain its business relationship with Reigncom. Accordingly, the Reigncom shares continued to be stated at their cost less any impairment losses as at the balance sheet date.

As at 31 March 2005, the aggregate market value of the remaining Reigncom shares was approximately HK$68,346,000.

18. LONG TERM INVESTMENTS *(continued)*

Subsequent to the balance sheet date following a decision made by the directors in May 2005, the Group disposed of all the remaining Reigncom shares between 2 May 2005 and 24 May 2005 through a series of transactions (the "Subsequent Reigncom Disposals"). The directors took this decision because they considered that this arrangement would not be extended beyond 31 May 2005. The Subsequent Reigncom Disposals constituted a discloseable transaction under the Listing Rules and further details of which were set out in the Company's circular dated 24 June 2005.

19. OTHER ASSETS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Other assets, at cost	**2,768**	2,768
Provision for impairment	**(776)**	(776)
Exchange realignment	**78**	65
	2,070	2,057

20. SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Managed funds, outside Hong Kong	**67,245**	–
Listed equity investments, Hong Kong	**7,739**	2,062
Listed equity investments, outside Hong Kong	**14,740**	–
	89,724	2,062

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$85,624,000.

21. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**53,315**	56,561
Work in progress	**10,637**	6,368
Finished goods	**212,262**	152,635
	276,214	215,564

The carrying amount of inventories carried at net realisable value included in the above balance was approximately HK$69,866,000 (2004: HK$44,753,000).

22. TRADE RECEIVABLES

Trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Group has been established to review and approve large customer credits.

An aged analysis of the trade receivables as at 31 March 2005, based on invoice due date and stated net of provision for bad and doubtful debts, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**194,401**	167,064
1 – 30 days	**60,922**	93,983
31 – 60 days	**25,214**	16,499
Over 60 days	**37,240**	18,793
	317,777	296,339

23. TRADE PAYABLES AND ACCRUED EXPENSES

An aged analysis of the trade payables as at 31 March 2005, based on invoice due date, is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Trade payables:				
Current	**113,421**	85,348	**–**	–
1 – 30 days	**28,104**	60,323	**–**	–
31 – 60 days	**14,352**	8,535	**–**	–
Over 60 days	**1,607**	1,723	**–**	–
	157,484	155,929	**–**	–
Accrued expenses	**26,340**	19,068	**677**	625
	183,824	174,997	**677**	625

24. INTEREST-BEARING BANK BORROWINGS

	Group 2005 HK$'000	Group 2004 HK$'000
Bank borrowings:		
Secured	**16,530**	–
Unsecured	**332,548**	252,591
	349,078	252,591
Mortgage loan repayable:		
Within one year	**2,304**	–
In the second year	**2,304**	–
In the third to fifth years, inclusive	**6,912**	–
Beyond five years	**5,010**	–
	16,530	–
Import and trust receipt loans repayable within one year	**332,548**	252,591
	349,078	252,591
Portion classified as current liabilities	**(334,852)**	(252,591)
Non-current portion	**14,226**	–

The mortgage loan is secured by fixed charges over certain of the land and buildings held by the Group, which had a net carrying value at the balance sheet date of approximately HK$37,931,000 (2004: HK$8,246,000) (note 14).

25. FINANCE LEASE PAYABLES

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

At 31 March 2005, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2005 HK$'000	Minimum lease payments 2004 HK$'000	**Present value of minimum lease payments 2005 HK$'000**	Present value of minimum lease payments 2004 HK$'000
Amounts payable:				
Within one year	**2,440**	2,767	**2,332**	2,629
In the second year	**1,101**	2,302	**1,039**	2,223
In the third to fifth years, inclusive	**1,064**	1,250	**911**	1,152
After five years	**172**	111	**149**	94
Total minimum finance lease payments	**4,777**	6,430	**4,431**	6,098
Future finance charges	**(346)**	(332)		
Total net finance lease payables	**4,431**	6,098		
Portion classified as current liabilities	**(2,332)**	(2,629)		
Non-current portion	**2,099**	3,469		

26. OTHER LONG TERM PAYABLE

The other long term payable represented the long term portion of an amount payable for the acquisition of a sports and social club debenture.

27. DEFERRED TAX

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

DEFERRED TAX LIABILITIES

Accelerated tax depreciation

	Group	
	2005	2004
	HK$'000	*HK$'000*
At beginning of year	**1,854**	301
Deferred tax charged to the profit and loss account during the year – note 10	**2,230**	1,553
At end of year	**4,084**	1,854

DEFERRED TAX ASSETS

Losses available for offset against future taxable profit

	Group	
	2005	2004
	HK$'000	*HK$'000*
At beginning of year	**154**	–
Deferred tax credited/(charged) to the profit and loss account during the year – note 10	**(154)**	154
At end of year	**–**	154

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

28. SHARE CAPITAL

Shares

	2005	2004
	HK$'000	*HK$'000*
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
405,082,419 ordinary shares of HK$0.10 each	**40,508**	40,508

During the prior year, the movements in the Company's share capital were as follows:

(a) In the prior year, the subscription rights attaching to 26,550,000 share options were exercised by certain employees of the Company at a subscription price of HK$0.304 per share, resulting in the issue of 26,550,000 shares of HK$0.10 each for a total cash consideration of HK$8,071,000.

(b) On 9 December 2003, B.K.S. Company Limited, the controlling shareholder of the Company, (the "Controlling Shareholder") placed through a placing agent, VC CEF Brokerage Limited, a total number of 17,000,000 ordinary shares in the Company at a price of HK$0.80 per share to not less than six independent third party investors (the "Placing"). The Placing was completed on 12 December 2003.

Pursuant to the subscription agreement dated 9 December 2003 entered into between the Company and the Controlling Shareholder, the Controlling Shareholder also subscribed for 17,000,000 new ordinary shares of the Company at a subscription price of HK$0.80 per share upon completion of the Placing (the "Subscription"). The Subscription was completed on 22 December 2003. The net proceeds from the Subscription of HK$13,218,000 were used to finance new product development, the marketing of the Group's original design manufactured MP3 players and the expansion in the Group's manufacturing facilities in Mainland China.

28. SHARE CAPITAL *(continued)*

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

	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 April 2003	361,532,419	36,153	139,366	175,519
Share options exercised during the year (a)	26,550,000	2,655	5,416	8,071
Placement of shares (b)	17,000,000	1,700	11,900	13,600
	405,082,419	40,508	156,682	197,190
Share issue expenses	–	–	(382)	(382)
At 31 March 2004, 1 April 2004 and 31 March 2005	405,082,419	40,508	156,300	196,808

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

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

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

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

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

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer. Share options do not confer rights on the holders to dividends or to vote at shareholder' meetings.

29. 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 2004	Number of share options: Lapsed during the year	Number of share options: At 31 March 2005	Date of grant of share options *(Note 1)*	Exercise period of share options (both dates inclusive)	Exercise price of share options *(Note 2)* *HK$*	Company's share price at grant date of share options *(Note 3)* *HK$*
Directors							
Lee Jeong Kwan	2,000,000	–	2,000,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
So Chi On	400,000	–	400,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Lai Yat Hung, Edmund	500,000	–	500,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Lai Yun Wing	1,000,000	–	1,000,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Sub-total	3,900,000	–	3,900,000				
Other employees							
In aggregate	11,100,000	(1,450,000)	9,650,000	23 March 2004	23 March 2005 – 12 May 2012	1.52	1.55
Sub-total	11,100,000	(1,450,000)	9,650,000				
Total	15,000,000	(1,450,000)	13,550,000				

No share options were granted, exercised or cancelled during the year.

29. 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 the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 13,550,000 share options outstanding under the Scheme, which represented approximately 3.34% of the Company's shares in issue as at that date. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 13,550,000 additional ordinary shares of the Company and additional share capital of HK$1,355,000 and share premium of HK$19,241,000 (before issue expenses).

30. 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 30 and 31 of the financial statements.

The amounts of goodwill remaining in the consolidated retained profits as at 31 March 2005 which arose from the acquisition of certain subsidiaries prior to 1 April 2001 was HK$12,470,000. During the year under review, in the opinion of the directors, there has been no impairment in the amount of goodwill.

30. RESERVES *(continued)*

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2003		139,366	12,491	2,305	154,162
Placement of shares	28	11,900	–	–	11,900
Exercise of share options	28	5,416	–	–	5,416
Share issue expenses	28	(382)	–	–	(382)
Interim 2004 dividend	12	–	–	(10,079)	(10,079)
Special 2004 dividend	12	–	–	(40,508)	(40,508)
Proposed final 2004 dividend	12	–	–	(32,407)	(32,407)
Net profit for the year		–	–	89,672	89,672
At 31 March 2004 and 1 April 2004		156,300	12,491	8,983	177,774
Interim 2005 dividend	12	–	–	(11,342)	(11,342)
Proposed final 2005 dividend	12	–	–	(64,813)	(64,813)
Net profit for the year		–	–	180,209	180,209
At 31 March 2005		156,300	12,491	113,037	281,828

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

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$1,451,000 (2004: HK$7,835,000).

32. CONTINGENT LIABILITIES

At 31 March 2005, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Guarantees given in respect of facilities granted to:				
Subsidiaries*	**–**	–	**943,902**	693,009
A supplier	**14,820**	3,900	**–**	–
Bills discounted with recourse	**4,212**	10,654	**–**	–
	19,032	14,554	**943,902**	693,009

* At 31 March 2005, an amount of HK$395,186,000 (2004: HK$325,208,000) had been utilised.

33. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**4,063**	3,269
In the second to fifth years, inclusive	**7,731**	9,781
After five years	**210**	567
	12,004	13,617

At 31 March 2005, the Company had no operating lease arrangements (2004: Nil).

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Capital commitments on the acquisition of fixed assets, contracted for	**788**	33,210

At 31 March 2005, the Company had no significant commitments (2004: Nil).

35. POST BALANCE SHEET EVENTS

In addition to those disclosed elsewhere in the financial statements, the Group had the following post balance sheet events.

(a) On 25 April 2005, AVCC and BreconRidge entered into a conditional agreement (as amended by a supplemental agreement dated 28 April 2005) (the "Agreement") pursuant to which AVCC agreed to dispose of its equity interests in AV Chaseway (the "Disposal") to BreconRidge in consideration for certain interests in BreconRidge, subject to the terms and conditions as contemplated under the Agreement.

The Disposal will be divided into two tranches. Subject to the satisfaction of certain conditions as prescribed in the Agreement, AVCC will firstly dispose of a 50% equity interest in AV Chaseway (the "First Tranche Shares") to BreconRidge in consideration for a warrant issued by BreconRidge (the "Warrant"), which entitles AVCC to subscribe for 7.5 million common shares in BreconRidge (the "BreconRidge Warrant Shares"). The disposal of the First Tranche Shares was scheduled to be completed by 30 June 2005 or such a later date as agreed by both parties (the "Initial Closing"). The long stop date for the Initial Closing can be extended to 30 October 2005 pursuant to the Agreement.

After the Initial Closing, AV Chaseway will cease to be a subsidiary of the Company and will be held as to 50% by AVCC and as to 50% by BreconRidge. AV Chaseway will then become a jointly-controlled entity of the Company and be managed and operated by both AVCC and BreconRidge as a joint venture. AVCC and BreconRidge will then enter into a shareholders' agreement to govern the management and operation of AV Chaseway. A supply agreement will be entered into by both parties to govern the terms pursuant to which AV Chaseway will provide electronic manufacturing services to AVC Manufacturing Services Limited, a wholly-owned subsidiary of the Company, and BreconRidge, during the joint venture period.

35. POST BALANCE SHEET EVENTS *(continued)*

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

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

If the Final Closing is completed within two years from the Initial Closing or beyond two years after the Initial Closing, AVCC will be entitled to receive an additional of 7.5 million or 9.5 million BreconRidge Warrant Shares for its disposal of the Second Tranche Shares dependent upon whether any extension fee of US$2 million (the "Extension Fee") will be payable by BreconRidge to AVCC. The consideration for the sale of the First Tranche Shares and the Second Tranche Shares may vary depending on the event triggering the Final Closing as well as the timing of such event. However, the total consideration under the Agreement, if the Final Closing occurs as a result of the occurrence of a Liquidity Event within two years of the Initial Closing or two years after such date but the Extension Fee has been paid, will in any event be not less than US$20 million in the form of cash and/or securities (the "Consideration"). If the Final Closing occurs as a result of the occurrence of a Liquidity Event two years after the Initial Closing and no Extension Fee has been paid, the total consideration will in any event be not less than US$22 million.

The Consideration is determined with reference to AV Chaseway's estimated unaudited net profit attributable to shareholders of HK$13 million (equivalent to approximately US$1.7 million) (the "Profit Estimate") and its estimated earnings before interest, tax, depreciation and amortisation of HK$23 million (equivalent to approximately US$2.95 million) (the "Estimated EBITDA") for the year ended 31 March 2005 reduced by the adjustment of HK$4 million (equivalent to approximately US$0.5 million) made by the directors of the Company (the "Adjustment"). The Adjustment represents the directors' estimated gross profit contribution of AV Chaseway's business derived from BreconRidge for the year ended 31 March 2005. The Consideration of US$20 million represents approximately (i) 12 times the Profit Estimate; (ii) 7 times the Estimated EBITDA; (iii) 17 times the adjusted Profit Estimate; and (iv) 8 times the adjusted EBITDA.

35. POST BALANCE SHEET EVENTS *(continued)*

The Agreement also provides a number of alternatives for AVCC and BreconRidge to exit the Transaction in the event that no Liquidity Event occurs within three years from the Initial Closing. Pursuant to the Agreement, (i) AVCC can get back the 50% equity interest from BreconRidge and the Warrant will be cancelled. Under such circumstance, BreconRidge shall pay AVCC an additional amount of US$3 million in cash as consideration for taking part in the operation of AV Chaseway during the period from the Initial Closing to the exit date; or (ii) AVCC and BreconRidge may elect to maintain the joint venture relationship by terminating the Warrant and BreconRidge has to pay US$11 million (or US$9 million if the Extension Fee has been paid) to AVCC as the consideration for acquiring the First Tranche Shares. In such case, AV Chaseway would be held as to 50% by AVCC and as to 50% by BreconRidge as a jointly-controlled entity.

The Transaction (as defined in note 16 to the financial statements) constituted a major transaction of the Company pursuant to the Listing Rules, which is subject to the approval of the Company's shareholders at an extraordinary general meeting to be held on 29 July 2005. Further details in relation to the Transaction are set out in the Company's circular dated 15 July 2005.

(b) On 7 June 2005, the Group entered into a subscription agreement (the "NDH Subscription Agreement") with Ness Display Holdings Limited ("NDH"), an independent third party incorporated in the Cayman Islands, which together with its subsidiaries are engaged in the manufacture and sales of organic light emitting diodes, to subscribe for 55,555 convertible redeemable preference shares at a subscription price of US$18 each (the "Series A Preferred Shares"). The NDH Subscription Agreement was completed on 17 June 2005 and the subscription amount of US$999,990 (equivalent to approximately HK$7.8 million) was paid by the Group on the same date.

Pursuant to the NDH Subscription Agreement, the Series A Preferred Shares are convertible into ordinary shares in NDH at the option of the Group at a conversion price of US$18 (subject to adjustments) from the date of issue and prior to the first public offering of ordinary shares made by NDH. The Group is also entitled to receive 138,400 warrants in NDH (the "NDH Warrants"), which enables the Group to subscribe for additional 138,400 Series A Preferred Shares in NDH. The NDH Warrants are exercisable within ten years from the date of issue at an exercise price of US$0.01. Upon the full conversion of the Series A Preferred Shares and the full exercise of the NDH Warrants by the Group, the Group will hold approximately 1.5% equity interest of the enlarged issued share capital of NDH assuming that all Series A Preferred Shares and the NDH Warrants are converted and exercised by all subscribers to the NDH Subscription Agreement.

At the date of approval of these financial statements, the rights attached to the Series A Preferred Shares and the NDH Warrants were not exercised by the Group and they were held by the Group as long term investments.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2005.