

RESPONDING TO GLOBAL OPPORTUNITIES



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Responding To Global Opportunities

Over the years, we have grown from a local to an emerging global player. With a solid foundation based on the brilliance of our product innovations and the ingenuity of our people, we are now **Ready** to extend our global reach.

Our Vision

To become the market leader in the security industry
focusing on the surveillance segment

Our Mission

To provide innovative, cutting-edge digital video
surveillance products and solutions which exceed our
customers' security expectations and needs

Our Execution

We strive to develop high-performance, end-to-end
integrated digital video surveillance solutions by focusing
on innovation and technology.

We are committed to a customer-focused approach in our
products and solutions development, offering our
customers quality products and solutions that
exceed their expectations and needs.

We endeavor to maintain the ISO 9001 certification
that was awarded to us for the high-quality
management standard in software design and the sale
of digital video surveillance products.

As such, we are confident that we will continue
to deliver on our promises to our clients and
maintain our position as a leading
player in the digital video surveillance industry.

Corporate Profile

MultiVision Intelligent Surveillance Limited was set up in 1986 by a team of entrepreneurial Close Circuit Television (CCTV) engineers with the aim of developing technically advanced products and undertaking major surveillance projects in the region.

As a technology-centric company, we concentrate efforts heavily on products and solutions development work. The Company began its product development in matrix switches – designing and manufacturing these products for the analog CCTV environments. In 1997, we started to engage heavily in the development of digital video surveillance products and solutions for the local and international markets. To date, MultiVision boasts a comprehensive portfolio of digital video surveillance products and solutions.

With local systems integrators, we have successfully implemented projects globally. Our referral customers include the Chek Lap Kok International Airport and the Tsing Ma Bridge Crossing in Hong Kong, the State Rail Authority of New South Wales in Australia, the Bangkok Transit System in Thailand, London Lines in the United Kingdom (“UK”), Sociedade de Jogos de Macau (“SJM”) Casinos in Macau and the Hunan Postal Services in the People’s Republic of China (“PRC”).

LEVERAGING ON OUR MOMENTUM



Our growing presence hinges on the success and experience gained from the large infrastructure projects we have implemented, providing us the impetus to continue going from **Strength To Strength.**

Chairman's Statement



To Our Shareholders

Financial Year 2004 ("FY2004") has been another rewarding year for MultiVision, against the backdrop of rising concerns about global terrorism and the need for the intelligent digital video surveillance products and solutions we provide. We improved our financial performance significantly and also won a major accolade, the Export Marketing Award, conferred by the Hong Kong Export Council in recognition of our outstanding export sales performance and leadership.

MultiVision recorded solid performance with turnover of HK\$129.0 million, representing a growth of 35% over HK\$95.3 million in FY2003. Net profit attributable to shareholders rose a dramatic 49% to HK\$37.6 million in FY2004, compared to HK\$25.3 million a year earlier. Considering the difficult worldwide economic conditions, including the Severe Acute Respiratory Syndrome ("SARS") epidemic which dampened economic spending, we showed consistent double-digit growth both on the topline and bottomline, outperforming the worldwide security industry's compound annual growth rate of 9 percent*, making this set of results remarkably commendable.

** Note: Research company, Freedonia Group Inc., reported that the global security equipment sales is estimated to grow at 9 percent year on year from US\$42.7 billion in 2001 to reach US\$64.9 billion in 2006.*

Gaining New Ground

The exceptional growth for the year can be attributed to several factors. The heightening fear of terrorist attacks has woken the world to taking more proactive measures in protecting against such threats, leading to better sales of security and surveillance equipment. We have taken this opportunity further by identifying and enhancing our domain expertise in developing products and solutions for new markets with high growth potential, specifically gaming, banking and transportation/mobile surveillance. These three industries form our pillars of growth. Our products and solutions for these industries have been extensively tried, tested and deployed, building our foundations in these industries. We will continue to invest in the development of new products and solutions, sharpening our technology edge in these areas.

The NetServer Legend and NetServer Super which offer sharper images and higher frame rates won us contracts amounting to more than HK\$30 million from the gaming industry alone. This is a significant breakthrough for us, given that our first system deployment began merely a year ago, contributing less than 5% of our revenue for FY2003. To date, MultiVision has installed or will soon install our digital video surveillance products and solutions in 17 gaming facilities in Macau.

Building on our strength and understanding of the banking industry, we developed the picture-in-picture application which captured a more extensive view of Automatic Teller Machines ("ATM") transactions taking place to allow for use as irrefutable evidence in litigation of ATM fraud. This innovation appealed to our client in the PRC, the Hunan Postal Services, which installed HK\$7.2-million-worth of our products and solutions at over 100 branches and 150 ATMs in the PRC during the fourth quarter of the financial year.

Riding on the successful rollouts of surveillance systems in Hong Kong, Australia and Thailand, we have been named vendor of choice for the London Lines' systems-upgrading project. With more than 1,000 train stations in the London Lines network, the upgrading process will take years to complete due to the complexity of rail operations. We will also be introducing the new higher-resolution, half-D1 model for the station deployments.

Subsequent to the close of FY2004, we have acquired the surveillance business from our NetServer Smart OEM supplier, Acqis Technologies Inc. ("Acqis"). NetServer Smart is the first in the world in terms of its form factor and its versatility. The acquisition includes perpetual access to seven patents held by Acqis. Several surveillance applications including real-time video streaming, license plate recognition and suspect alerts can be installed onto NetServer Smart. We are currently running two pilot programmes with the police forces in the USA and the UK. This is yet another exciting avenue for MultiVision as there are 400,000 police vehicles in the USA alone.

The trend of migration from analog CCTV platform to digital systems continues to fuel our growth. The superiority of digital video surveillance solutions over analog CCTV solutions is no longer debated. The digital platform extends the boundaries of surveillance, giving customers the ability to control, access and manage their surveillance systems remotely and offer functional applications which were not available with the analog platform.

Maintaining Profits

Our strategy to focus on the enterprise-class products-and-solutions market segment ensures profitability and commands a price premium as we secure new projects with our niche products and solutions capabilities.

Our relentless efforts in innovation and providing cutting-edge products and solutions sharpen our edge over our competitors and maintain our profit margin. As such, we will continually invest in our employees, our key asset. We have increased our staff strength from two to 27 staff in our products and solutions development center in Shenzhen, the PRC. The team in the center focuses on developing new technologies and applications.

Extending Our Footprints

MultiVision continues to evolve into a global player with a strong branding in the digital video surveillance industry. We have in FY2004 added subsidiary offices in the UK, Macau, Beijing and Zhuhai in the PRC and Australia, bringing the total number of offices and representative offices to nine worldwide. The other offices are in the USA, Shenzhen in the PRC, Singapore and Hong Kong.

As we grow our business, intimate interaction and communication with our customers and partners, and the provision of local support to them is pertinent. Our direct presence positions us closer to the market, thereby allowing us to respond more proactively and quickly to the changes in local market conditions and customer demands and needs. In the long term, our direct presence serves to build and strengthen our branding in these territories.

Investments In The PRC

On 19 December 2003, we announced a capital injection of HK\$45 million for a 45% shareholding in a PRC-based company, Sino Gear Force Limited ("SGFL"). The joint venture marks MultiVision's foray into the services business. The newly-formed company will deliver IP-based digital video surveillance services in the PRC. The service offerings from the joint venture will be built on our technology, platform and products and solutions offerings. The potential is

tremendous, given the huge installed base of broadband subscribers in the PRC (*estimated to stand at three million in 2002 and to reach 19.2 million by 2007) which we have access to through our alliance with the China Netcom Group. The successful execution of this service model will bring recurring service revenue to the Company in the long run.

**The figures are based on reports published by International Data Corp and the Yankee Group respectively.*

Corporate Governance

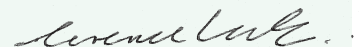
At the start of FY2004, Mr. Paul Gao joined us as Chief Financial Officer, replacing Mr. Mak Tin Sang who left the company for personal reasons. We would like to thank Mr. Mak for the support he rendered to the Company during his tenure with us.

Mr. Gao brings to the Company a wealth of experience in financial planning and management. Since he joined MultiVision, he has established financial priorities for the Company, including programs aimed at improving our balance sheet, profitability and cash flow.

Moving Forward

The Company is constantly looking for and identifying new and high-growth market segments to broaden our revenue base. Our Chief Executive Officer, Mr. Louis Mak, works closely with customers and at the ground level, listening to our customers while watchful of new technology developments. We will continually expand the Company's offerings, designing new products and solutions, based on our expertise and knowledge in the digital video surveillance industry and of that of different vertical markets. Our President and Chief Operations Officer, Mr. Dennis Li, keeps an eye on sales, operations and our expansion into the global markets.

We believe we will continue to deliver strong growth and profitability moving forward. We thank you, our shareholders, for your support in the last year and we look forward to your continued support in the years to come.



Mr. Terence Luk Chung Po
Non-Executive Chairman

Mr. Terence Luk Chung Po

Non-Executive Chairman

Mr. Terence Luk Chung Po has served on the board as Non-Executive Chairman since 2 September 2002. He is also Vice Chairman of SGX-listed Armarda Group Limited. Mr. Luk has over 20 years of experience in sales, marketing and management in the Hong Kong and PRC IT industries, having worked at Olivetti (Hong Kong) Limited, Conic Business Systems Limited, ChinaCast Technology (BVI) Limited, NCR (Hong Kong) Limited, Sperry Limited, Unisys Corporation, and Cisco Systems (Hong Kong) Limited in various capacities. He co-founded Technology Venture Holdings (“TVH”) Limited, a company listed on the Hong Kong Stock Exchange, and was Vice Chairman of the company. He last held the position of Non-Executive Director at TVH.

Mr. Vincent Lin Ming Sheng

Deputy Chairman and Non-Executive Director

Mr. Vincent Lin has been the President of Azure International Inc. since 1997. He also holds the positions of Director at eSkylink Telecommunications Co. Ltd and Armarda Group Limited. He is Managing Director and Executive Vice President of Goldsun Computer and Communication Co. Ltd, taking charge of the corporate investment and development division. Previously, Mr. Lin was Managing Director of Reach and Range and worked as an American law consultant at Formosa transnational law offices in Taiwan from August 1998 to September 1999.

Mr. Louis Mak Fuk Sang

Executive Director

Mr. Louis Mak Fuk Sang was appointed Executive Director on 2 September 2002. Mr. Mak holds directorship at Amber Intertrade Limited, Full Advance Limited, UniVision Engineering Limited and TriVision Holdings Limited. Mr. Mak is an industry veteran with more than 25 years of experience in the security and surveillance industry. He last held the position of Chief Executive Officer at the UniVision Group (“UniVision”) in 2000. UniVision was founded by Mr. Mak in 1978. Prior to UniVision, he held engineering positions at Hutchison Boag Engineering Ltd and Hong Kong Television Broadcasts Limited.

Mr. Dennis Li Kin Keung*Executive Director*

Mr. Dennis Li Kin Keung has served as Executive Director since 28 June 2002. Mr. Li has extensive experience in the IT industry. Prior to joining MultiVision in September 2001, he was Managing Director for the Asia region at Quantum|ATL. His career started off with Unisys Asia Limited where he worked at the company for 23 years. His last position held was Director of Systems and Technology, Asia at Unisys.

Mr. Cheong Chow Yin*Independent Director*

Mr. Cheong Chow Yin was appointed as Independent Director in October 2002. He holds directorship at YCL Investment Pte Ltd, North22 Technology Services Group Limited, Universal Holdings Ltd, Wayonnet Group Pte Ltd and 88 Bay.com Pte Ltd. Mr. Cheong was President of DII Group Inc.'s Asia operations for eight years from 1992 to March 2000.

Professor Francis Chin Yuk-Lun*Independent Director*

Professor Francis Chin Yuk-Lun has been Independent Director of the Company since 31 October 2002. Professor Chin is currently Chair of Computer Science, Professor of Engineering and Associate Dean of the Graduate School of the University of Hong Kong. Prior to his appointment as Chair at University of Hong Kong, Professor Chin has taught at the University of Maryland, Baltimore County, University of California, San Diego, University of Alberta and the Chinese University of Hong Kong. He was seconded to serve as the interim CEO of Hong Kong Domain Name Registration Company Limited in 2001.



From left to right: Mr. Dennis Li, *President and COO*, Mr. Louis Mak, *CEO and CTO* and Mr. Paul Gao, *CFO*

Mr. Louis Mak Fuk Sang

Chief Executive Officer and Chief Technology Officer

Founder of MultiVision and currently CEO and CTO of the Company, Mr. Louis Mak is instrumental in charting and driving the Company's technology development and growth strategies. Mr. Mak charts the technology and product roadmap. He is responsible for the development and research of new products and solutions.

Mr. Dennis Li Kin Keung

President and Chief Operations Officer

Mr. Dennis Li Kin Keung, as COO, drives the sales and marketing of the Company. Leveraging on his rich experience in this area, Mr. Li is responsible for forging alliances and business development opportunities for the Company.

Mr. Paul Gao Xiangnong

Chief Financial Officer

Mr. Paul Gao Xiangnong is the CFO with overall responsibility for the finance, accounting and corporate secretarial functions of the Company. Mr. Gao has more than ten years of experience in finance and accounting management. Before joining MultiVision, he held positions including International Marketing Director at Platte College and Chief Accounting Officer at Amdec LLC in the USA. Mr. Gao is a certified public accountant with the State Board of Accountancy of the State of Colorado, the USA.

CREATING CERTAINTIES EVERYWHERE



From the Agadir Casino in North Africa to the London Lines in United Kingdom, our **Proven Solutions** help companies ascertain and safeguard their daily business activities round the clock.

Operations Review

FY2004 marks the year of expansion for MultiVision. We successfully raised S\$21.3 million through a placement exercise at the start of the financial year, priming ourselves for our next phase of growth.

Global Expansion

We pursued our global expansion strategy in FY2003, setting up offices in key strategic regions. We established representative offices in Singapore and the USA and a products and solutions development center in Shenzhen, the PRC. We took this strategy one step further in FY2004 and set up new offices in Macau, Beijing and Zhuhai, the PRC, the UK and Australia. At the close of financial year 2004, the total number of MultiVision offices worldwide stood at nine.

The geographical revenue mix has shifted, highlighting the success of our global expansion strategy. For FY2004, the PRC contributed 43.7% compared to 66.0% in FY2003, Macau contributed 23.8% compared to 3.7%, Hong Kong recorded 6.0% against 6.7%, while the rest of the world combined amounted to 26.5% against 23.6% in FY2003. We expect the shifts in geographical contributions to continue as we extend our presence beyond Asia into the more sophisticated markets of the USA and the UK.

Our strategy of selling through our distribution network has worked well. Simultaneously, we continue to work closely with our channel partners in marketing our products and solutions, and our investments in key markets – having a direct presence at key locations – is instrumental in branding for MultiVision. We place great emphasis in providing more proactive technical and sales support, and services, ensuring the highest level of satisfaction to our customers and partners. A direct presence will position us closer to the ground/the local markets, providing us with a better understanding of each individual market's unique needs and requirements. The investments will also attest to our commitment to these markets.

Broadened Product Portfolio

Our products and solutions offerings continue to expand. We have launched new enterprise-class products, including two high-performance products – the NetServer Super and NetServer Legend at the start of FY2004. These products blitzed the technology front, being the first few products in the market which utilise the latest hardware-based MPEG-4 compression technology unlike other products which are based on software compression or proprietary technologies. Our NetServer series of products and solutions promise higher frame rate and better image resolution, while requiring minimum storage capacities. They offer real-time display, recording, retrieval and playback of video images simultaneously for up to 16 channels. Our solutions also break new ground with one-second failover capabilities, providing the highest level of redundancy and reliability for mission-critical industries.

On the applications development front, we enhanced our offerings for the banking and gaming sectors. Our products and solutions development team pioneered the picture-in-picture application for the banking industry. Traditional surveillance systems capture only pictures of the customers who used the ATM machines. MultiVision's picture-in-picture application captures and integrates both foreground and background pictures – of the customer at the kiosk, as well as

the customers queuing behind or standing near him. Given the more extensive coverage of the transaction surroundings, banks are empowered with more information for investigation and video images to be used as evidence, in the event of ATM fraud.

We developed a camera-touring application for the gaming industry. Instead of just monitoring the gaming tables and providing surveillance for the facilities, the gaming application controls the camera at each gaming table to take snapshot views of the bets each player has placed before the start of the game. The video images captured are excellent proof for any arguments over the amount of bets placed for the gaming round and save the need to have expensive and yet inferior quality digital zooming capability.

MultiVision adopts a customer-centric and innovation-led approach in the development of our products and solutions. While we provide our broad base of customers with our leading-edge products built on commercial off-the-shelf components, we differentiate in offering customers intelligent applications which are specific to their needs and meet the demands of their industry.

Expanding Clientele

Our clientele base has enlarged. Leveraging on our experience and exposure to huge infrastructure projects, MultiVision continued to grow our clientele in the gaming, banking and transportation/mobile surveillance industries.

Gaming

We penetrated the gaming industry with our partner, the Elixir Group. The project saw us install our digital video surveillance products and solutions at the gaming facilities of SJM in Macau. SJM has a total of 17 gaming facilities in the country. The turnkey solutions we provide include central monitoring and management capabilities from the casino's control center, the high-resolution digital video images captured with our system, our highly reliable and available one-second failover feature and our seamless interoperability with the backup system.

This project gave us our head-start in the gaming industry. We have since installed our systems at Agadir casino in Morocco, North Africa, and have received requests for demonstration sessions of our digital video surveillance solutions' capabilities from other gaming operators from the rest of the world.

Banking

Our feature-rich and end-to-end digital video surveillance products and solutions for the banking industry continue to win customers from this industry sector. In January 2004, we were awarded a contract to install our products and solutions for the Hunan Postal Services in the PRC at over 100 branches and 150 ATMs. We expect similar projects to roll out in the other provinces in the PRC as the awareness of security increases in the country.

Transportation/ Mobile Surveillance

We continue to capture market share in surveillance projects for ports. We clinched a project from the Hong Kong International Terminal in Hong Kong in July 2003. We were also awarded a project to install our digital video surveillance systems at Asia Container Terminal with PCCW, our channel partner in Hong Kong, in February 2004.

We are making inroads in the UK as London Lines, operator of more than 1,000 rail stations, has named us the vendor of choice for its network-wide station-upgrading program. The project will take a few years to complete due to the complexity of the stations' running schedules and is potentially worth more than HK\$10 million of revenue for recognition in FY2005 with the installation of our next-generation half-D1 resolution series of digital video recorders ("DVRs").

We are also breaking fresh ground with the pilot testing of our mobile solutions in the UK and the USA, using our NetServer Smart systems. This is an extremely versatile surveillance unit and is the first and smallest of its kind in terms of form factor. The system allows installation of several sophisticated surveillance applications such as license plate recognition, real-time video streaming, suspect alert, wireless communication for civic or defence purposes. According to our internal estimates, there are about 400,000 police vehicles in the USA and the global addressable market for mobile surveillance systems is expected to reach US\$450 million in two years' time. Given the increasing deployment of mobile surveillance systems in police vehicles, buses, trains, trucks and airplanes, we hope to capture this demand for surveillance solutions.

Accolades and Awards

We are proud to announce that we have been awarded the Export Marketing Certificate of Merit in the 2003 Hong Kong Awards for Industry. The annual awards scheme aims to recognise and encourage excellence as well as promote successful practices and strategies in different aspects of industrial performance. The export-marketing category was managed by the Hong Kong Trade Development Council.

We also earned recognition in the press community. We were selected by security trade magazine A&S as one of the top 10 DVR suppliers in the PRC in the international category in its July 2003 feature edition. The magazine positioned MultiVision in the 37th place in product sales in its list of world's top security companies and 18th position in the CCTV category in its November 2003 issue. In the same issue, MultiVision was also recognised as the most dynamic revenue growth company by the magazine, with a growth rate of 280%.

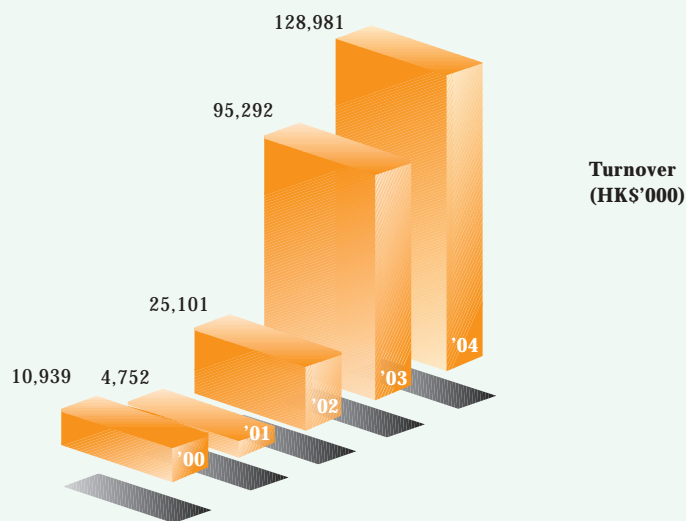
Such awards testify to MultiVision's ongoing commitment in pursuit of excellence in our products and solutions. They also demonstrate the strength and breadth of our products and solutions.

Forging Ahead

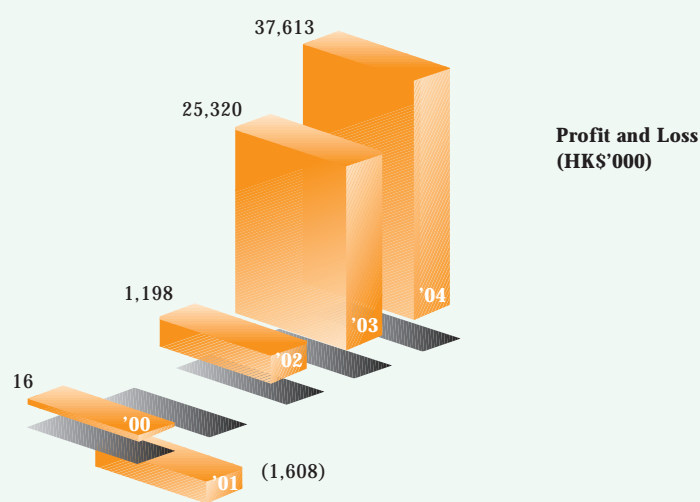
In December 2003, we invested HK\$45 million for a 45% equity stake in SGFL. The investment will give MultiVision access to two million broadband subscribers in the PRC market and the ability to launch a security portal. It marks our foray into the services-based market, opening up new revenue streams for the Company.

As we proactively evaluate the opportunities in expanding our businesses, we remain focused in our core business as a technology-based digital video surveillance products and solutions provider.

Financial Highlights

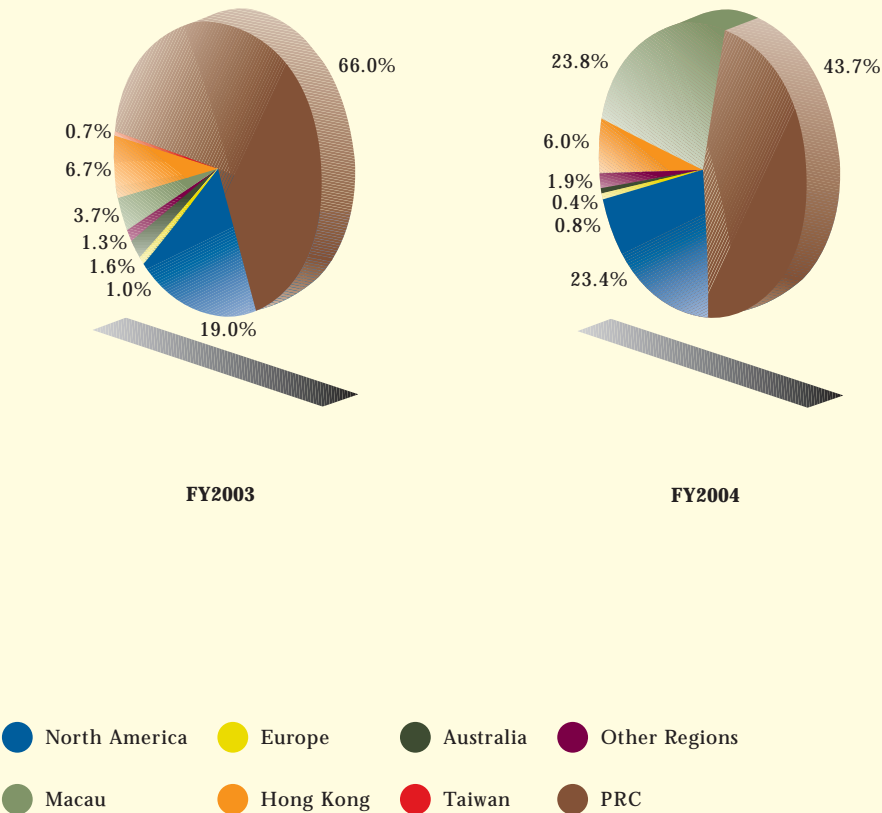


FY2000 was the last year in which MultiVision was engaged in the distribution and sales of analog CCTV products. In FY2001, the Company transited to sell digital video surveillance products and solutions. Since then, sales of the Company has been growing from strength to strength, on the back of highly visible reference projects and customers.



As our digital video surveillance products and solutions became increasingly accepted and adopted by our customers, we were able to gain economies of scale from the higher order volume and better profit from our premium surveillance products and solutions. We saw profit grow 48.6% from HK\$25.32 million in FY2003 to reach HK\$37.613 million in FY2004.

**Revenue by
Geographical Regions**



Macau emerged as the key revenue contributor in FY2004, due to the SJM project which saw MultiVision supply and install our digital video surveillance products and solutions at the SJM casinos. Our success with the banking sector in the PRC saw the country continuing to contribute significantly to MultiVision’s revenue. The USA upped its slice of the pie, in line with our change in product mix to offer higher-end products and solutions which are in demand in such sophisticated markets like the USA and the UK.

Corporate Information

Board Of Directors

Terence Luk Chung Po

Chairman

Vincent Lin Ming Sheng

Deputy Chairman

Louis Mak Fuk Sang

Executive Director

Dennis Li Kin Keung

Executive Director

Cheong Chow Yin

Independent Director

Professor Francis Chin Yuk-Lun

Independent Director

Management Team

Louis Mak Fuk Sang

CEO and CTO

Dennis Li Kin Keung

President and COO

Paul Gao Xiangnong

CFO

Audit Committee

Cheong Chow Yin

Chairman

Terence Luk Chung Po

Professor Francis Chin Yuk-Lun

Nominating Committee

Professor Francis Chin Yuk-Lun

Chairman

Cheong Chow Yin

Terence Luk Chung Po

Remuneration Committee

Cheong Chow Yin

Chairman

Vincent Lin Ming Sheng

Professor Francis Chin Yuk-Lun

Company Secretaries

Paul Gao Xiangnong

Raymond Tong Wei Min

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal Share Registrar

Reid Management Limited

Argyle House

41A Cedar Avenue

Hamilton HM 12

Bermuda

Registrar and Share Transfer Office

Lim Associates (Pte) Ltd

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

Auditor

KPMG

Certified Public Accountants

10 Chater Road

8th Floor, Prince's Building

Central Hong Kong

Partner-in-charge: Alun Grassick

(since financial year ended

31 March 2004)

BETTERING OUR POSITIONING



By proactively pioneering innovative solutions such as our picture-in-picture application for Hunan Postal Services in the PRC, we are strengthening our positioning and creating tomorrow's **Opportunities**.

Hong Kong

The Company is headquartered out of Hong Kong since its inception in 1986. The office oversees global operations and houses the pre- and post-sales teams.

The PRC

MultiVision currently has four offices in the PRC. The Beijing and Zhuhai offices are instrumental in driving sales in the country. The products and solutions development center in Shenzhen hosts more than 25 engineers who focus on applications development work. Our stake in SGFL added to our presence in Beijing.

Macau

The Macau subsidiary strategically located in the country renowned for its gaming industry focuses on offering installation and pre- and post-sales support to this vertical market. A team of highly-skilled technical staff is on hand to manage and oversee the projects in the territory.



The UK

The subsidiary office which was established at the start of the fourth quarter of FY2004 ("4Q FY2004") made inroads into the UK market. London Lines, a railway operator with more than 1,000 train stations in the UK, has committed to deploy MultiVision's products and solutions.

Singapore

The representative office was set up shortly after the Company listed on the main board of the Stock Exchange. It plays the dual role of managing channel partners as well as building investor relations with the local investor community.

The USA

MultiVision's direct presence in the USA boosts visibility for the Company in this mature and sophisticated market. The Florida-based office has won key customers and projects in the region.

Australia

Operating out of Sydney, the Australia joint-venture office, set up in 4Q FY2004, is well positioned to manage the ongoing development of new markets and provide support to existing customers.

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MultiVision Intelligent Surveillance Limited (the “Company”) is committed to achieving a high standard of corporate governance which conforms with the principles set out in the Code of Corporate Governance (“Code”) prescribed by the Stock Exchange Securities Trading Limited (“SGX-ST”). The Board is pleased to report on the compliance of the Company with the Code (except as otherwise stated).

Board's Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal control and compliance. In addition, the Board reviews the financial performance of the Group, approves investment proposals, and approves nomination of Directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through Board Committees such as the Audit Committee, Nominating Committee and Remuneration Committee.

Board Composition and Balance

Board Membership

Board of Directors

The composition of the Board and Board Committees is as follows:

Name	Nature of Board Members	Committee Membership		
		Audit Committee	Remuneration Committee	Nominating Committee
Terence Luk Chung Po	Non-Executive Chairman	Member	–	Member
Louis Mak Fuk Sang	Executive Director	–	–	–
Vincent Lin Ming Sheng	Non-Executive Director	–	Member	–
Dennis Li Kin Keung	Executive Director	–	–	–
Francis Chin Yuk-Lun	Independent Director	Member	Member	Chairman
Cheong Chow Yin	Independent Director	Chairman	Chairman	Member

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of six Directors includes two Independent and two Non-Executive Directors. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 10 to 12 of the Annual Report.

The independence of each Director is reviewed by the Nominating Committee (“NC”). The NC adopts the definition of what constitutes an Independent Director from the Code. The NC is of the view that Professor Francis Chin and Mr. Cheong Chow Yin are independent.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

Corporate Governance Report (Cont'd)

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Group's business strategies and operations. The Directors will receive, from time to time, further relevant training, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentations and meetings.

The Board meets at least twice a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of the quarterly and annual results. Additional meetings may be held to address significant transactions or issues, where necessary. The Company's Bye-laws permits a Board meeting to be conducted by way of tele-conference and video-conference.

During the financial year, the Board held two meetings and the number of meetings attended by each member of the Board are as follows:-

Name of Director	Number of Meetings Attended
Terence Luk Chung Po	2
Louis Mak Fuk Sang	2
Vincent Lin Ming Sheng	1
Dennis Li Kin Keung	2
Francis Chin Yuk-Lun	1
Cheong Chow Yin	1

Role of Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer ("CEO") perform separate functions to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised. The Chairman is Mr. Terence Luk and the CEO is Mr. Louis Mak. Apart from providing guidance on the corporate direction of the Group, the Chairman schedules and chairs Board meetings, and controls the quality, quantity and timeliness of information supplied to the Board. The CEO sets the business strategies and directions for the Group and manages the business operations of the Group with the Executive Directors, and other management staff. The Chairman and the CEO are not related.

Board Performance

Nominating Committee ("NC")

The NC comprises Mr. Cheong Chow Yin, Professor Francis Chin and Mr. Terence Luk, and is chaired by Professor Chin.

The Board has approved the written terms of reference of the NC. The NC performs the following functions:-

- a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
- b) reviewing all candidates nominated for appointment as senior management staff;

- c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;
- d) procuring that at least one-third of the Board shall comprise Independent Directors;
- e) making recommendations to the Board on continuation of service of any Director who has reached the age of 70;
- f) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regarded the Directors' contribution and performance, including Independent Directors;
- g) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and
- h) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

For the year under review, the NC evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return of equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the management's performance against the goals that had been set by the Board.

Pursuant to the Company's Bye-laws, other than the Managing Director, all Directors submit themselves for re-election at least once every three years.

The NC recommended to the Board that Mr. Terence Luk and Mr. Dennis Li be nominated for re-appointment at the forthcoming AGM.

In making their recommendations, the NC had considered the Directors' overall contribution and performance.

Access to Information

To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process. The Board is provided with adequate and timely information prior to each Board meeting. Board papers are prepared for each Board meeting and are usually circulated at least three working days prior to each meeting.

The Board has separate and independent access to senior management and the company secretaries at all times. The company secretaries administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that (i) Board procedures are followed and reviewed so that the Board functions effectively; and (ii) the Company's Bye-laws and relevant rules and regulations, including requirements of the Companies Act and the SGX-ST, are complied with.

If any of the Directors require independent professional advice in the furtherance of his duties, the cost of such professional advice will be borne by the Company.

Corporate Governance Report (Cont'd)

Procedures for Developing Remuneration Policies

Level and Mix of Remuneration

Disclosure on Remuneration

Remuneration Committee (“RC”)

The RC comprises Mr. Cheong Chow Yin, Mr. Vincent Lin and Professor Francis Chin and is chaired by Mr. Cheong Chow Yin.

The Board has approved the written terms of reference of the RC. The functions of the RC are as follows :-

- a) recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- b) proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;
- c) determining the specific remuneration package for each Executive Director;
- d) considering the eligibility of Directors for benefits under long-term incentive schemes; and
- e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key executives of the Company to those required by law or by the Code.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and Executive Officers for services rendered during the financial year ended 31 March 2004 are as follows:

Remuneration Bands	Salary %	Performance Bonus %	Directors' Fees %	Others %	Total %
<u>Directors</u>					
<u>S\$250,000 – S\$500,000</u>					
Louis Mak Fuk Sang	35.02	41.23	–	23.75	100
Dennis Li Kin Keung	99.01	–	–	0.99	100
<u>Below S\$250,000</u>					
Terence Luk Chung Po	–	–	–	–	–
Vincent Lin Ming Sheng	–	–	–	–	–
Francis Chin Yuk-Lun	–	–	100	–	100
Cheong Chow Yin	–	–	100	–	100
<u>Executive Officers</u>					
<u>Below S\$250,000</u>					
Mak Tin Sang (Resigned on 31 August 2003)	76.22	–	–	23.78	100
Gao Xiangnong	83.22	–	–	16.78	100
Jimmy Sit Man Ho	94.60	–	–	5.40	100

Corporate Governance Report (Cont'd)

Apart from Mr. Terence Luk and Mr. Vincent Lin, who do not receive any compensation, the remuneration of the Non-Executive Directors is in the form of a fixed fee. Such fees will be pro-rated for the financial year ended 31 March 2004. The remuneration of the Non-Executive Directors will be subject to approval at the AGM.

All Executive Directors have service agreements with the Company. Their compensation consist of salary, bonus, and performance awards that are dependent on the performance of the Group. None of them receive Directors' fees.

The Company does not have any employees who are immediate family members of a Director or the Chief Executive Officer.

Audit Committee

Internal Controls

Audit Committee ("AC")

The AC comprises Mr. Cheong Chow Yin, Mr. Terence Luk and Professor Francis Chin and is chaired by Mr. Cheong Chow Yin.

The Board has approved the written terms of reference of the AC. The AC performs the following functions:-

- a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;
- b) reviewing the overall internal control system;
- c) reviewing the Group's financial results and the announcements before submission to the Board for approval;
- d) reviewing the assistance given by management to external auditors;
- e) reviewing significant findings of internal investigations;
- f) considering the appointment/re-appointment of the external auditors;
- g) reviewing interested person transactions; and
- h) other functions as required by law or the Code.

The AC meets periodically and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

During the financial year, the AC has met five times to discuss and review the audit plan, the audit report and to evaluate the system of internal controls. The attendance of the AC members at these meetings are set out as follows :-

Name of Director	Number of Meetings Attended
Cheong Chow Yin (Chairman)	5
Terence Luk Chung Po (Member)	5
Francis Chin Yuk-Lun (Member)	5

Corporate Governance Report (Cont'd)

The AC has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to external auditors. The AC meets with the external auditors without the presence of management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment.

Internal Audit

The Group currently does not have in place an internal audit function as the Board is of the view that this is not necessary taking into account the Group's current size and operations.

The Board recognizes the importance of the internal audit function and will continue to monitor whether it is necessary to set up such function internally or outsource it to a professional body.

Accountability and Audit

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Communication with Shareholders ***Greater Shareholder Participation***

The Company recognizes that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via MASNET announcements and news releases. Such information is available on the Company's website www.multivision.com.hk. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period.

All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on MASNET. The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Bye-laws allows a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

Material Contracts

(Listing Manual Rule 1207(8))

Save for the service agreements between the Executive Directors and the Company, there are no material contracts entered into by the Company or its subsidiaries, and in which the Chief Executive Officer, any Director or controlling shareholders, were interested subsisting at the end of the financial year ended 31 March 2004.

Risk Management

(Listing Manual Rule 1207(4)(d))

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on pages 72 and 73 of the Annual Report.

Employee Share Option Scheme ("ESOS")

(Listing Manual Rule 852(1))

The ESOS is administered by a Committee comprising Mr. Terence Luk, Mr. Cheong Chow Yin and Professor Francis Chin.

An aggregate of 23,540,000 share options were granted during the financial year, of which 5,000,000 share options were granted to Directors, while the remaining share options were granted to the employees of the Group, in accordance with the terms of the MultiVision Employee Share Option Scheme (the "Scheme"). For more information on the Scheme, please refer to the Report of the Directors and Financial Statements.

Subsequent to the financial year end, an aggregate of 27,000,000 share options were granted of which 8,500,000 share options were granted to Directors, and the remaining share options were granted to the employees of the Group.

Dealings in Securities

(Listing Manual Rule 710(2)(b))

The Group has adopted the SGX-ST's Best Practices Guide with respect to dealings in securities by the Directors and its executive officers. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the financial year end, as the case may be, and ending on the date of announcements of relevant results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct is modeled after the Best Practices Guide with some modifications.

Corporate Governance Report (Cont'd)

Interested Person Transactions (Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of interested person transactions entered into during the financial year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
UniVision Engineering Limited	Nil	HK\$3,795,604
Goldsun Computer and Communication Co., Ltd.	Nil	Nil

Best Practices Guide

The Company has complied with the Best Practices Guide issued by the SGX-ST.

The Directors have pleasure in submitting the annual report together with the audited financial statements for the financial year ended 31 March 2004.

Directors

The Directors holding office during the financial year were:

Terence Luk Chung Po

Vincent Lin Ming Sheng

Louis Mak Fuk Sang

Dennis Li Kin Keung

Cheong Chow Yin

Professor Francis Chin Yuk-Lun

The Directors of the Company, including the Non-Executive Directors, are subject to retirement and re-election at the forthcoming annual general meeting in accordance with the Company's bye-laws.

Directors' Interests

According to the Register of Directors' Shareholdings kept by the Company, particulars of interests of the Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company or in related corporations are as follows:

	Holdings in the name of the Director		Other holdings in which the Director is deemed to have an interest	
	At 1 April 2003	At 31 March 2004	At 1 April 2003	At 31 March 2004
The Company				
Ordinary shares of HK\$0.07 each fully paid				
Terence Luk Chung Po	5,225,600	2,725,600	66,994,200	59,794,200
Vincent Lin Ming Sheng	870,900	500,450	-	-
Louis Mak Fuk Sang	5,225,600	4,225,600	48,459,200	41,709,200
Dennis Li Kin Keung	6,657,600	4,657,600	-	-
			Holdings in the name of the director	
Options to subscribe for ordinary shares of HK\$0.07 each	Exercise price	Exercise period	At 1 April 2003	At 31 March 2004
Vincent Lin Ming Sheng	S\$0.21	2 April 2005–1 April 2013	-	1,000,000
Dennis Li Kin Keung	S\$0.21	2 April 2005–1 April 2013	-	3,000,000
Cheong Chow Yin	S\$0.21	2 April 2005–1 April 2013	-	500,000
Professor Francis Chin Yuk-Lun	S\$0.21	2 April 2005–1 April 2013	-	500,000

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, debentures and share options of the Company or related corporations either at the beginning or at the end of the financial year.

Directors' Report (Cont'd)

As of 21 April 2004, the following changes of interest took place:

	Holdings in the name of the Director		Other holdings in which the Director is deemed to have an interest	
	At 31 March 2004	At 21 April 2004	At 31 March 2004	At 21 April 2004
The Company				
Ordinary shares of HK\$0.07 each fully paid				
Terence Luk Chung Po	2,725,600	125,600	59,794,200	59,794,200

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at anytime during the financial year, was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, the Company and its related corporations entered into various transactions in the normal course of business, with companies in which two of the Directors have substantial financial interests. However, the Directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they are ordinarily entitled to as shareholders of these companies.

Since the end of the last financial year, except as disclosed in this report and set out in note 22 to the accompanying financial statements, no Director has received or entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

The MultiVision Employee Share Option Scheme (the "Scheme") was approved and adopted by its members on 22 October 2002.

The Scheme is administered by a Committee comprising the following Directors:

Mr. Terence Luk Chung Po

Mr. Cheong Chow Yin

Professor Francis Chin Yuk-Lun

The principal terms of the Scheme are as follows:

(a) **Eligibility**

Under the rules of the Scheme, Executive and Non-Executive Directors and employees of the Group, who are not controlling shareholders or their associates, are eligible to participate in the Scheme.

(b) **Maximum Entitlement**

The number of options to be offered to a participant of the Scheme shall be determined at the absolute discretion of the Committee, who shall take into account criteria such as rank, past performance, years of service and potential for future development of that participant.

(c) Size of Scheme

The aggregate number of shares over which the Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the Scheme and any other share option schemes of the Company, shall not exceed 15% of the issued shares of the Company on the day preceding the date of the relevant grant.

(d) Exercise Price

Exercise price may be the market price at the date of grant of the options or a discount to the market price at the date of the grant of the options provided that maximum discount shall not exceed 20% of the market price.

(e) Option Period

Options granted with the exercise price set at the market price at the date of grant of the options may be exercised after the first anniversary of the offer date. If the options are granted with an exercise price set at a discount to the market price at the date of grant of the options, options may be exercised after the second anniversary of the offer date.

The life span of options granted is 10 years from the offer date.

Options Granted During the Year

During the year, the following options were granted under the Scheme:

Option participants	Exercise price per share	Options granted	Number of option holders	Exercise period
Executive Directors, Non-Executive Directors and Employees	S\$0.21	14,000,000	36	2 April 2005–1 April 2013
Employees	S\$0.32	9,540,000	21	7 October 2004–6 October 2013

Issue of Shares under Option

There were no issues of shares under the Scheme during the financial year ended 31 March 2004.

Directors' Report (Cont'd)

Unissued Shares under the Scheme

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of HK\$0.07 each of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 April 2003	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 March 2004	Number of option holders at 31 March 2004	Exercise period
1 April 2003	S\$0.21	-	14,000,000	-	-	14,000,000	36	2 April 2005– 1 April 2013
6 October 2003	S\$0.32	-	9,540,000	-	-	9,540,000	21	7 October 2004– 6 October 2013
		-	23,540,000	-	-	23,540,000		

Details of options granted and exercised/ lapsed since the commencement of the Scheme were as follows :

Option participants	Options granted for the financial year ended 31 March 2004	Aggregate options granted since commencement of Scheme to 31 March 2004	Aggregate options exercised/lapsed since commencement of Scheme to 31 March 2004	Aggregate options outstanding as at 31 March 2004
Directors of the Company				
Executive Director				
Dennis Li Kin Keung	3,000,000	3,000,000	-	3,000,000
	3,000,000	3,000,000	-	3,000,000
Non-Executive Directors				
Vincent Lin Ming Sheng	1,000,000	1,000,000	-	1,000,000
Cheong Chow Yin	500,000	500,000	-	500,000
Professor Francis Chin Yuk-Lun	500,000	500,000	-	500,000
	2,000,000	2,000,000	-	2,000,000
Group Executive				
Paul Gao Xiangnong	1,680,000	1,680,000	-	1,680,000
	1,680,000	1,680,000	-	1,680,000
Employees				
	16,860,000	16,860,000	-	16,860,000
	16,860,000	16,860,000	-	16,860,000
	23,540,000	23,540,000	-	23,540,000

Directors' Report (Cont'd)

Except for the above, no other participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Save as disclosed above, there were no unissued shares of the Company or its subsidiaries as at the end of the financial year.

Options Granted After Year End

On 26 May 2004, the following options were granted in accordance with the terms of the Scheme:

Option participants	Exercise price per share	Options granted	Number of option holders	Exercise period
Executive Directors, Non-Executive Directors and Employees	S\$0.19	27,000,000	73	27 May 2005– 26 May 2014

The following is a summary of share options granted to directors of the Company:

Name of Director	Number of share options granted
Louis Mak Fuk Sang	3,500,000
Dennis Li Kin Keung	3,000,000
Vincent Lin Ming Sheng	1,000,000
Cheong Chow Yin	500,000
Professor Francis Chin Yuk-Lun	500,000

Except for the above, no other participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Audit Committee

The Audit Committee ("AC") comprises three members, who are independent of management within the meaning of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual").

Cheong Chow Yin	(Chairman/ Independent Director)
Professor Francis Chin Yuk-Lun	(Independent Director)
Terence Luk Chung Po	(Non-Executive Director)

The AC has held five meetings since the last Directors' Report. In performing its function, the AC met with the management and the Company's external auditors to discuss and review the following:

Directors' Report (Cont'd)

- i. the audit plan of the external auditors of the Group and the results of their examination and evaluation of the Group's systems of internal accounting controls;
- ii. the Group's financial and operating results and accounting policies;
- iii. that no restrictions were being placed by the management upon the work of the external auditors;
- iv. the Group's transactions with related parties and interested persons;
- v. the annual and quarterly financial statements to be announced to shareholders before its submission to the Board of Directors for adoption; and
- vi. the independence of the external auditors.

The AC performed the functions specified in the Listing Manual which included a review of the financial statements of the Group and the Company for the year and the auditors' report thereon.

The AC is authorised to investigate any matters within its terms of reference, has full access to management and also full discretion to invite any Director or Executive Officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting ("AGM") of the Company.

Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board of Directors

Louis Mak Fuk Sang
Executive Director

Dennis Li Kin Keung
Executive Director

Hong Kong
25 June 2004

Statement by Directors

We, being Directors of the Company, do hereby state that in our opinion:

- (i) the financial statements set out on pages 39 to 74 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004 and of the results of the Group and of the Company and the changes in equity and cash flows of the Group for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Louis Mak Fuk Sang
Executive Director

Dennis Li Kin Keung
Executive Director

Hong Kong
25 June 2004

Independent Auditors' Report

To the Shareholders of MultiVision Intelligent Surveillance Limited
(Incorporated in Bermuda with limited liability)

Dear Sirs

We have audited the accompanying consolidated financial statements of MultiVision Intelligent Surveillance Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 39 to 74, comprising the consolidated balance sheet as at 31 March 2004 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. The consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the basis of preparation set out in note 2 to the consolidated financial statements, are the responsibility of the directors of the Company. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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 International Standards on Auditing promulgated by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Company's directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation in the consolidated financial statements. We believe that our audit provides a reasonable basis for our 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 2004 and of the loss of the Company, the profit of the Group and the cash flows of the Group for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

KPMG

Certified Public Accountants

Hong Kong
25 June 2004

Income Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

		Group		Company	
				Period from	
				26 June 2002	
				(date of incorporation)	
	Note	2004	2003	2004	to 31 March
		HK\$'000	HK\$'000	HK\$'000	2003
					HK\$'000
Turnover	3	128,981	95,292	-	-
Cost of sales		(57,223)	(45,205)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		71,758	50,087	-	-
Other net income	4	3,024	2,036	-	-
Distribution expenses		(13,526)	(7,536)	-	-
Administrative expenses		(15,766)	(7,018)	(210)	(150)
Research and development costs		(12,474)	(7,396)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Profit / (loss) from operations		33,016	30,173	(210)	(150)
Finance costs	4	(15)	(15)	-	-
Share of losses of an associate		(736)	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Profit / (loss) from ordinary activities					
before taxation	4	32,265	30,158	(210)	(150)
Income tax	5	5,348	(4,838)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net profit / (loss) for the year		37,613	25,320	(210)	(150)
		<hr/>	<hr/>	<hr/>	<hr/>
Basic earnings per share	6	9.46 cents	8.49 cents	N/A	N/A
		<hr/>	<hr/>	<hr/>	<hr/>
Diluted earnings per share	6	9.37 cents	N/A	N/A	N/A
		<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

Balance Sheets

As at 31 March 2004

(Expressed in Hong Kong dollars)

		Group		Company	
	Note	2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Interests in subsidiaries	7	-	-	19,462	19,462
Interest in an associate	8	44,264	-	-	-
Property, plant and equipment	9	3,481	1,474	-	-
Intangible assets	10	70,526	51,115	-	-
Deferred tax assets	11	590	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		118,861	52,589	19,462	19,462
Current assets					
Inventories	12	12,694	4,493	-	-
Trade receivables	13	50,913	25,670	-	-
Prepayments, deposits and other receivables		2,171	2,173	11	215
Amount due from a subsidiary	7	-	-	151,991	58,831
Cash and cash equivalents	14	79,314	49,667	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		145,092	82,003	152,002	59,046
Current liabilities					
Obligations under a hire purchase contract	15	-	133	-	-
Trade and other payables	16	12,309	10,958	83	139
Provision for warranty costs	17	1,968	-	-	-
Amounts due to directors	18	650	750	-	150
		<hr/>	<hr/>	<hr/>	<hr/>
		14,927	11,841	83	289
Net current assets					
		<hr/>	<hr/>	<hr/>	<hr/>
		130,165	70,162	151,919	58,757
Non-current liabilities					
Obligations under a hire purchase contract	15	-	22	-	-
Deferred tax liabilities	11	-	4,758	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		-	4,780	-	-
Net assets					
		<hr/>	<hr/>	<hr/>	<hr/>
		249,026	117,971	171,381	78,219
Shareholders' equity					
Share capital	20	29,241	24,369	29,241	24,369
Reserves	21	219,785	93,602	142,140	53,850
		<hr/>	<hr/>	<hr/>	<hr/>
		249,026	117,971	171,381	78,219
		<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

Consolidated Statements of Cash Flows

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

	2004	2003
	HKS'000	HKS'000
Operating activities		
Profit from ordinary activities before taxation	32,265	30,158
Adjustment for:		
Interest expense	15	15
Interest income	(253)	(95)
Depreciation of property, plant and equipment	1,693	654
Amortisation of intangible assets	15,624	7,396
Impairment loss on intangible assets	2,450	-
Share of losses of an associate	736	-
Gain on disposal of property, plant and equipment	-	(6)
Operating profit before changes in working capital	52,530	38,122
Changes in working capital		
Decrease / (increase) in inventories	(8,201)	(890)
Decrease / (increase) in trade receivables	(25,243)	(12,014)
Decrease / (increase) in prepayments, deposits and other receivables	2	(968)
Increase / (decrease) in trade and other payables	1,351	(7,802)
Increase / (decrease) in provision for warranty costs	1,968	-
Increase / (decrease) in amounts due to directors	(100)	750
Cash generated from operations	22,307	17,198
Interest received	253	95
Interest paid	(15)	(15)
Net cash generated from operating activities	22,545	17,278
Investing activities		
Payment for the purchase of property, plant and equipment	(3,700)	(1,095)
Payment for development costs	(8,075)	(5,415)
Technology transfer fees paid	(29,410)	(30,800)
Proceeds from sales of property, plant and equipment	-	17
Payment for the purchase of an associate	(45,000)	-
Net cash used in investing activities	(86,185)	(37,293)
Financing activities		
Repayment of principal under hire purchase contract	(155)	(133)
Issue of shares	97,667	71,836
Share issue expenses	(4,295)	(12,929)
Net cash generated from financing activities	93,217	58,774
Net increase in cash and cash equivalents	29,577	38,759
Cash and cash equivalents at beginning of the year	49,667	10,908
Effect of foreign exchange rates changes	70	-
Cash and cash equivalents at end of the year	79,314	49,667
An analysis of cash and cash equivalents is as follows:		
Cash at bank and in hand	79,314	49,667

The accompanying notes form an integral part of these financial statements

Consolidated Statements of Changes in Shareholders' Equity

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

	2004 HK\$'000	2003 HK\$'000
Shareholders' equity at 1 April	117,971	33,744
Exchange difference on translation of the financial statements of overseas subsidiaries	70	-
Net gains not recognised in the income statement	70	-
Net profit for the year	37,613	25,320
Movement in shareholders' equity arising from capital transactions with shareholders:		
Issue of shares	4,872	4,907
Net share premium arising from issue of shares	88,500	54,000
	93,372	58,907
Shareholders' equity at 31 March	249,026	117,971

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

1 Company information

The Company is incorporated in Bermuda with limited liability. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 7 to the financial statements. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. These consolidated financial statements were authorised for issue by the Directors of the Company on 25 June 2004.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

2 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board. IFRS includes International Accounting Standards ("IAS") and related interpretations.

(b) Basis of preparation

The financial statements are presented in Hong Kong Dollars, rounded to the nearest thousand. They are prepared on the historical cost basis. The accounting policies set out below have been consistently applied by the Group and the Company and are consistent with those used in the previous year.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements for the year ended 31 March 2003 were prepared by adopting the pooling of interests method of accounting as a result of the group restructuring exercise ("Restructuring Exercise") completed involving the entities under common control. The Restructuring Exercise was to rationalise the structure of the Group in preparation for the initial public offering of the Company's shares on the SGX-ST. Under this method, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results of the Group for the year ended 31 March 2003 include the results of the Company and its subsidiaries with effect from 1 April 2002 or since their respective dates of incorporation, where there is a shorter period.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(ii) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate and are eliminated against the interest in an associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) **Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired.

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life of ten years. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 2(n)) is included in the carrying amount of the interest in an associate.

On disposal of an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

(e) **Foreign currencies**

(i) *Foreign currency transactions*

Foreign currency transactions are translated to Hong Kong dollars at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the exchange rate ruling at that date. Exchange differences are dealt with in the income statement.

(ii) *Foreign entities*

The Group's foreign entities are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on consolidation, are translated into Hong Kong dollars at foreign exchange

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(ii) *Foreign entities (cont'd)*

rates ruling at the balance sheet date. The revenues and expenses of foreign entities are translated into Hong Kong dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are dealt with as a movement in reserves. On disposal, the accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(f) **Investments**

Investments in subsidiaries and associates in the Company's balance sheet are stated at cost less impairment losses (note 2(n)).

(g) **Property, plant and equipment**

(i) *Owned assets*

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (note 2(n)).

(ii) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that have already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) *Disposal*

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(iv) *Depreciation*

Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values, as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Computer equipment	30%
Motor vehicles	30%

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(h) Leased assets

Where assets are acquired under hire purchase contracts, the amounts representing the outright purchase price, which approximate the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under hire purchase contracts. Depreciation is provided at rates designed to write off the cost of the assets in equal annual amounts over the estimated useful lives of the assets as set out in note 2(g) above. Finance charges implicit in the hire purchase payments are charged to the income statement over the period of the hire purchase contracts so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised and deferred if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Subsequent development expenditure is capitalised and deferred only when it increases the future economic benefits embodied in the specific asset to which it relates. All other development expenditure is expensed as incurred.

Deferred development costs are amortised to the income statement on a straight-line basis over the assets' estimated economic useful life of five years.

(j) Technology transfer fees paid

Technology transfer fees paid represent consideration paid to independent third parties for the transfer of technology to the Group. The capitalised technology transfer fees paid are stated at cost less accumulated amortisation and impairment losses. Technology transfer fees paid are amortised to the income statement on a straight-line basis over an estimated economic useful life of five years.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(l) Trade and other receivables

Trade and other receivables are stated at cost less allowances for doubtful receivables.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(n) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) *Calculation of recoverable amount*

The recoverable amount of assets is the greater of their net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) *Reversal of impairment loss*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Trade and other payables

Trade and other payables are stated at cost.

(p) Provisions

A provision is recognised in the balance sheet when the Group or the Company has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(q) Warranty costs

A provision for warranty costs is recognised when the underlying products or services are sold. The provision is established to meet liabilities as they fall due under warranty terms offered by the Group on sales and service contracts to certain customers. The provision is based on historical data and a weighting of all possible outcomes against their associated probabilities.

(r) Employee benefits

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

The equivalent cost of employee's entitlements to annual leave untaken as at the end of each financial year is accrued for and charged to the income statement in the period in which the related employment services are rendered.

The MultiVision Employee Share Option Scheme allows executive and non-executive directors and employees of the Group, who are not controlling shareholders or their associates, to acquire shares of the Company. No compensation cost or obligation is recognised when options are granted under the scheme. When the options are exercised, equity is increased by the amount of the proceeds received.

(s) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(s) Income tax (cont'd)

- (iii) deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(t) Revenue recognition

(i) Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Contract revenue

When the outcome of a sales and service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a sales and service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Technical support income

Technical support income is recognised when technical support services are performed.

(iv) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(u) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(v) Finance costs

Finance costs comprise interest payable on bank borrowings and the interest expense component of payments under hire purchase contracts, which is recognised in the income statement using the effective interest rate method.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(x) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 Turnover and segment reporting

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

The Group operates principally as a single business segment for the design, development and sale of digital video surveillance products and solutions.

In presenting information on the basis of geographical segments, segment turnover is based on the geographical presence of the end-users. Segment assets and capital expenditure are based on the geographical location of the assets. Geographical information about the Group's turnover, assets and capital expenditure is as follows:

(a) Turnover

	2004 HK\$'000	2003 HK\$'000
The People's Republic of China ("PRC")	56,336	62,886
Hong Kong	7,775	6,394
Macau	30,713	3,536
Australia	473	1,541
Taiwan	-	708
North America	30,218	18,071
Europe	1,052	898
Others	2,414	1,258
	<hr/> 128,981	<hr/> 95,292

(b) Profit before taxation and interest

	2004 HK\$'000	2003 HK\$'000
The PRC	14,869	21,257
Hong Kong	2,416	290
Macau	1,697	1,204
Australia	(2,078)	271
Taiwan	-	157
North America	14,902	6,562
Europe	96	199
Others	378	233
	<hr/> 32,280	<hr/> 30,173

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

3 Turnover and segment reporting (cont'd)

(c) Total assets

	2004 HK\$'000	2003 HK\$'000
The PRC	105,123	-
Hong Kong	122,507	134,592
Macau	27,278	-
Australia	11	-
Taiwan	1	-
North America	7,085	-
Europe	353	-
Others	1,005	-
	<hr/> 263,363	<hr/> 134,592

(d) Capital expenditure (Note)

	2004 HK\$'000	2003 HK\$'000
The PRC	1,696	-
Hong Kong	38,968	45,310
Macau	231	-
North America	71	-
Europe	191	-
Others	28	-
	<hr/> 41,185	<hr/> 45,310

Note: Capital expenditure comprises additions to property, plant and equipment and deferred development costs.

(e) Depreciation

	2004 HK\$'000	2003 HK\$'000
The PRC	415	-
Hong Kong	1,159	654
Macau	51	-
North America	15	-
Europe	46	-
Others	7	-
	<hr/> 1,693	<hr/> 654

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

3 Turnover and segment reporting (cont'd)

(f) Non-cash expenses

	2004 HK\$'000	2003 HK\$'000
The PRC	790	-
Hong Kong	-	784
Australia	2,262	-
	<u>3,052</u>	<u>784</u>

Note: Non-cash expenses represent allowances for doubtful receivables.

4 Profit/(loss) from ordinary activities before taxation

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	Group		Company Period from 26 June 2002 (date of incorporation) to 31 March 2003	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
(a) Other net income				
Gain on disposal of property, plant and equipment	-	(6)	-	-
Exchange loss	215	3	-	-
Interest income	(253)	(95)	-	-
Technical support income	(2,884)	(1,938)	-	-
Sundry income	(102)	-	-	-
	<u>(3,024)</u>	<u>(2,036)</u>	<u>-</u>	<u>-</u>
(b) Staff costs				
Salaries and allowances	14,804	11,580	-	-
Contributions to defined contribution retirement plans	528	400	-	-
Other welfare and benefits	63	58	-	-
	<u>15,395</u>	<u>12,038</u>	<u>-</u>	<u>-</u>
Less: Amounts capitalised as deferred development costs	<u>(4,560)</u>	<u>(3,857)</u>	<u>-</u>	<u>-</u>
	<u>10,835</u>	<u>8,181</u>	<u>-</u>	<u>-</u>
Average number of employees for the year	<u>98</u>	<u>36</u>	<u>-</u>	<u>-</u>
Number of employees as at the year end	<u>95</u>	<u>36</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

4 Profit/(loss) from ordinary activities before taxation (cont'd)

		Group		Company	
				Period from	
				26 June 2002	
				(date of incorporation)	
				to 31 March	
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(c)	Other items				
	Cost of inventories (<i>Note 1</i>)	57,223	45,205	-	-
	Depreciation (<i>Note 2</i>)	1,693	443	-	-
	Operating lease charges (<i>Note 2</i>)	1,633	784	-	-
	Amortisation of intangible assets (<i>Note 1</i>)	15,624	7,396	-	-
	Impairment loss on intangible assets	2,450	-	-	-
	Amortisation of positive goodwill included in share of losses of an associate	622	-	-	-
	Provision for warranty costs (<i>Note 1</i>)	1,968	-	-	-
	Remuneration of directors of the Company				
	– Fees	210	150	210	150
	– Other emoluments	2,788	2,738	-	-
	Remuneration of other directors				
	– Other emoluments	336	732	-	-
	Allowance for doubtful receivables	3,052	784	-	-
	Auditors' remuneration				
	– Auditors of the Company				
	– Audit services	695	600	-	-
	– Non-audit services	25	20	-	-
(d)	Finance costs				
	Interest expense:				
	– Hire purchase contract	15	15	-	-

Note 1: Cost of inventories includes a provision for warranty costs totaling HK\$1,968,000 (2003: HK\$Nil) and amortisation of intangible assets relating to perpetual licence fees paid for certain video microprocessor chips totaling HK\$5,600,000 (2003: HK\$Nil), which amount is also included in the total amount of amortisation of intangible assets disclosed separately above.

Note 2: Depreciation and operating lease charges stated above for the year ended 31 March 2004 are stated net of amounts totaling HK\$Nil (2003: HK\$211,000) and HK\$583,000 (2003: HK\$425,000) respectively which were capitalised as development costs during the year.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

5 Income tax

(a) Taxation in the consolidated income statements represents:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	(5,794)	4,838
Effect of increase in tax rate on deferred tax balances at 1 January	446	-
	(5,348)	4,838
	(5,348)	4,838

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004 HK\$'000	Group		2003 HK\$'000	
		%			%
Profit before tax	32,265			30,158	
National tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	5,887	18.2		4,825	16.0
Tax effect of non-deductible expenses	1,306	4.0		13	-
Tax effect of non-taxable revenue	(13,005)	(40.3)		-	-
Tax effect of unused tax losses not recognised	18	0.1		-	-
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	446	1.4		-	-
Actual tax (credit)/expense	(5,348)	(16.6)		4,838	16.0

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$37,613,000 (2003: HK\$25,320,000) and the weighted average of 397,568,723 (2003: 298,191,853) ordinary shares in issue during the year.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

6 Earnings per share (cont'd)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$37,613,000 and the weighted average of 401,314,101 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the company's share option scheme. There were no dilutive potential ordinary shares for the year ended 31 March 2003 and therefore diluted earnings per share are not presented for that year.

(c) Reconciliations

	2004 Number of shares	2003 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	397,568,723	N/A
Deemed issue of ordinary shares for no consideration	3,745,378	N/A
Weighted average number of ordinary shares used in calculating diluted earnings per share	401,314,101	N/A

7 Interests in subsidiaries

	Company 2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	19,462	19,462
Amount due from a subsidiary	151,991	58,831
	171,453	78,293

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

7 Interests in subsidiaries (cont'd)

Particulars of the subsidiaries as at the balance sheet date are set out below:

Name of company	Principal activities	Date and place of incorporation and operation	Authorised share capital	Issued and fully paid-up share capital	Group's effective interest	Proportion of ownership interest	
						Held by the Company	Held by a subsidiary
MultiVision Holdings Limited *	Investment holding	15 May 2001 British Virgin Islands	US\$50,000 (50,000 ordinary shares of US\$1.00 each)	US\$10,500	100%	100%	-
MultiVision IP Management Limited #	Intellectual property holding	11 June 2001 Hong Kong	HK\$10,000 (10,000 ordinary shares of HK\$1.00 each)	HK\$100	100%	-	100%
MultiVision Intelligent Surveillance (Hong Kong) Limited #	Development and sale of digital video surveillance products and solutions	28 February 1986 Hong Kong	HK\$1,000,000 (1,000,000 ordinary shares of HK\$1.00 each)	HK\$658,300	100%	-	100%
MultiVision Intelligent Surveillance (Macau) Limited ^	Sales and marketing of digital video surveillance products and solutions	30 January 2003 Macau	MOP\$500,000	MOP\$500,000	100%	-	100%
MultiVision Intelligent Surveillance Technology (Zhuhai) Limited ^	Design, development and distribution of digital surveillance products and solutions	18 December 2003 The PRC	Registered capital of HK\$40,000,000	HK\$40,000,000	100%	-	100%
MultiVision Intelligent Surveillance (United Kingdom) Limited ^	Sales and marketing of digital video surveillance products and solutions	5 January 2004 United Kingdom	GBP 10,000 (10,000 ordinary shares of GBP 1 each)	-	100%	-	100%
MultiVision Intelligent Surveillance Australia Pty Limited ^	Sales and marketing of digital video surveillance products and solutions	1 March 2004 Australia	AUS\$ 100 (100 ordinary shares of AUS\$ 1 each)	-	55%	-	55%

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

7 Interests in subsidiaries (cont'd)

The statutory financial statements of MultiVision Intelligent Surveillance (Hong Kong) Limited and MultiVision IP Management Limited were audited by KPMG, Hong Kong, a firm of Certified Public Accountants under Section 28A of the Professional Accountants Ordinance, Chapter 50.

^ The statutory financial statements of these companies were not audited by KPMG. These companies are either dormant or have not commenced operations at the balance sheet date.

* The financial statements of MultiVision Holdings Limited are not required to be audited under the laws of the British Virgin Islands, its country of incorporation.

On 30 January 2003, the Group incorporated a wholly-owned subsidiary, MultiVision Intelligent Surveillance (Macau) Limited, in Macau with an issued and paid-up capital of MOP\$500,000 which was fully paid up on 11 April 2003.

On 18 December 2003, the Group incorporated a wholly-owned subsidiary, MultiVision Intelligent Surveillance Technology (Zhuhai) Limited, in the PRC with registered and paid-up capital of HK\$40,000,000 which was fully paid up on 11 March 2004.

On 5 January 2004, the Group incorporated a wholly-owned subsidiary, MultiVision Intelligent Surveillance (United Kingdom) Limited, in the United Kingdom with an authorised capital of GBP10,000 and 100 ordinary shares were allotted but were not paid up at the balance sheet date. They are expected to be fully paid up during the next financial year.

On 5 January 2004, the Group incorporated a subsidiary, MultiVision Intelligent Surveillance Australia Pty Limited in Australia, in which it has a 55% shareholding for AUS\$55, which was satisfied in cash on 22 April 2004.

8 Interest in an associate

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	20,000	-
Goodwill	24,264	-
	<hr/> 44,264 <hr/>	<hr/> - <hr/>

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

8 Interest in an associate (con't)

The movement of the goodwill is as follows:

	Group HK\$'000
Cost	
At 1 April 2003	-
Additions	24,886
	<hr/>
At 31 March 2004	24,886
	<hr/>
Accumulated amortisation	
At 1 April 2003	-
Charge for the year	622
	<hr/>
At 31 March 2004	622
	<hr/>
Carrying amount	
As at 31 March 2004	24,264
	<hr/>
As at 31 March 2003	-
	<hr/>

Details of the associate are as follows:

Name of associate	Form of business structure	Principal activities	Date and place of incorporation and operation	Authorised share capital	Proportion of ownership interest			
					Issued and fully paid-up share capital	Group's effective interest	Held by the Company	Held by a subsidiary
Sino Gear Force Limited	Incorporated	Development and sale of digital video surveillance products and solutions	1 August 2003 British Virgin Islands	US\$50,000 (50,000 ordinary shares of US\$1 each)	US\$100	45%	-	45%

On 19 December 2003, the Group acquired a 45% interest in Sino Gear Force Limited for HK\$45,000,000, satisfied in cash.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

9 Property, plant and equipment

Group

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2003	883	666	630	408	2,587
Additions	613	422	2,132	533	3,700
At 31 March 2004	1,496	1,088	2,762	941	6,287
Accumulated depreciation					
At 1 April 2003	239	328	301	245	1,113
Charge for the year	299	283	829	282	1,693
At 31 March 2004	538	611	1,130	527	2,806
Depreciation charge for 2003	176	166	189	123	654
Net book value					
As at 31 March 2004	958	477	1,632	414	3,481
As at 31 March 2003	644	338	329	163	1,474

Included in property, plant and equipment is the following item acquired under a hire purchase contract:

	2004 HK\$'000	2003 HK\$'000
Net book value of asset acquired under a hire purchase contract	41	163

10 Intangible assets

	Group	
	2004 HK\$'000	2003 HK\$'000
Deferred development costs	16,486	13,635
Technology transfer fees paid	54,040	37,480
	70,526	51,115

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

10 Intangible assets (cont'd)

(a) Deferred development costs

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost		
At 1 April	21,410	15,995
Additions	8,075	5,415
	<hr/>	<hr/>
At 31 March	29,485	21,410
	<hr/>	<hr/>
Accumulated amortisation		
At 1 April	7,775	3,939
Charge for the year	4,974	3,836
Impairment loss	250	-
	<hr/>	<hr/>
At 31 March	12,999	7,775
	<hr/>	<hr/>
Carrying amount		
As at 31 March	16,486	13,635
	<hr/>	<hr/>

(b) Technology transfer fees paid

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost		
At 1 April	41,600	2,800
Additions	29,410	38,800
	<hr/>	<hr/>
At 31 March	71,010	41,600
	<hr/>	<hr/>
Accumulated amortisation		
At 1 April	4,120	560
Charge for the year	10,650	3,560
Impairment loss	2,200	-
	<hr/>	<hr/>
At 31 March	16,970	4,120
	<hr/>	<hr/>
Carrying amount		
As at 31 March	54,040	37,480
	<hr/>	<hr/>

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

10 Intangible assets (cont'd)

(b) Technology transfer fees paid (cont'd)

During the year ended 31 March 2003, the Group entered into four agreements with two independent vendors for the transfer of technology in respect of certain video microprocessor chips, ATM servers, I-Home servers, Wagering server and their related application programmes to the Group at an aggregate consideration of HK\$38,800,000.

During the year ended 31 March 2004, the Group entered into five agreements with two independent vendors for the transfer of technology in respect of certain digital video recording systems to the Group at an aggregate consideration of HK\$29,410,000.

The technology transfer fees paid are accounted for in accordance with the Group's accounting policies as set out in note 2(j).

- (c) At 31 March 2004, the Group assessed the recoverable amount of capitalised research and development costs and technology transfer fees. Based on this assessment, the carrying amount of capitalised research and development costs and technology transfer fees paid were written down by HK\$250,000 and HK\$2,200,000 respectively (included in "Research and development costs"). The estimates of recoverable amount were determined using discounted net future cash flows expected to be generated by the assets.

11 Deferred tax

Deferred tax assets and liabilities recognised

Group

The components of deferred tax (assets)/ liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Difference between depreciation allowances and the related depreciation HK\$'000	Deductible allowances in excess of amortisation of intangible assets HK\$'000	General provisions HK\$'000	Future benefit of tax losses HK\$'000	Total HK\$'000
At 1 April 2002	(67)	(2,287)	-	2,434	80
(Charged)/credited to the consolidated income statement	(12)	(5,891)	-	1,065	(4,838)
At 31 March 2003	(79)	(8,178)	-	3,499	(4,758)
At 1 April 2003	(79)	(8,178)	-	3,499	(4,758)
(Charged)/credited to the consolidated income statement	146	5,657	313	(768)	5,348
At 31 March 2004	67	(2,521)	313	2,731	590

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

11 Deferred tax (cont'd)

	Group	
	2004	2003
	HK\$'000	HK\$'000
Net deferred tax assets/(liabilities) recognised in the consolidated balance sheet	590	(4,758)

There were no material unprovided deferred tax assets or liabilities as at 31 March 2004.

12 Inventories

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	6,836	1,585
Work in progress	1,682	226
Finished goods	4,176	2,682
	12,694	4,493

Included in finished goods are inventories with a carrying value of HK\$59,000 (2003: HK\$Nil), stated net of a general provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

13 Trade receivables

	Group	
	2004	2003
	HK\$'000	HK\$'000
Amounts due from independent customers	49,909	22,440
Allowance for doubtful receivables	(3,836)	(784)
	46,073	21,656
Amounts due from affiliated companies	4,840	4,014
	50,913	25,670

The amounts due from affiliated companies are unsecured, interest free and repayable within one year. An affiliated company is a company, other than a related company, in which a director of the Company has a substantial interest or which has a common director or substantial shareholder with the Company.

Included in amounts due from independent customers are retention monies of HK\$147,000 (2003: HK\$350,000) receivable from a customer which are expected to be recovered after more than one year.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

14 Cash and cash equivalents

	Group	
	2004	2003
	HK\$'000	HK\$'000
Cash at bank and in hand	79,314	49,667

15 Obligations under a hire purchase contract

As at 31 March 2004, the Group's obligations under a hire purchase contract are analysed as follows:

	Group			2003		
	2004			2003		
	Principal	Interest	Total	Principal	Interest	Total
	HK\$'000	HK\$'000	payments	HK\$'000	HK\$'000	payments
			HK\$'000			HK\$'000
Within 1 year	-	-	-	133	15	148
After 1 year but within 5 years	-	-	-	22	3	25
	-	-	-	155	18	173

Interest for 2003 was payable at 3.75% per annum. The group repaid all hire purchase obligations in 2004.

16 Trade and other payables

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	4,117	9,755	-	-
Other payables and accruals	7,332	939	83	139
Amount due to an affiliated company	860	264	-	-
	12,309	10,958	83	139

The amount due to an affiliated company is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

17 Provision for warranty costs

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1 April	-	-
Provision made during the year	1,968	-
At 31 March	1,968	-

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within one year of the date of sale. Provision is, therefore, made for the best estimate of the expected settlement under these agreements in respect of sales made prior to the balance sheet date. The amount of provision takes into account the Group's recent claims experience and provision is only made where a warranty claim is probable. Provision for warranty costs is made specifically for the sales and service contracts entered into in 2004. There were no warranty obligations for sales and service contracts entered into in 2003.

18 Amounts due to Directors

The amounts due to Directors are unsecured, interest free and expect to be settled within one year.

19 Equity compensation benefits

The Company has an employee share option scheme known as MultiVision Employee Share Option Scheme (the "Scheme") which was approved by the shareholders of the Company by resolution in writing on 22 October 2002. The Scheme complies with the relevant rules as set out in Chapter Eight of The Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual. The Scheme, which forms an integral and important component of the compensation plan, is designed to provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Under the rules of the Scheme, executive and non-executive directors and employees of the Group who are not controlling shareholders or their associates are eligible to participate in the Scheme.

The Scheme is administered by a Committee which comprises three Directors, Terence Luk Chung Po, Cheong Chow Yin and Professor Francis Chin Yuk-Lun. The number of options to be offered to a participant shall be determined at the discretion of the Committee which shall take into account criteria such as rank, performance, years of service and potential for future development of the participant. However, a member of the Committee who is also a participant of the Scheme must not be involved in its deliberation in respect of options granted or to be granted to him. The total number of shares over which options may be granted shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

The options that are granted under the Scheme may have exercise prices that are, at the Committee's discretion, set at a discount to a price equal to the average of the last dealt prices for the shares on the Main Board of the SGX-ST for the five consecutive market days immediately preceding the relevant option of a share, subject to a maximum discount of 20% ("Incentive Option"), or fixed at the Market Price ("Market Price Option"). In no circumstances shall the exercise price be less than the par value of a share.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

19 Equity compensation benefits (cont'd)

Each eligible participant who has been granted Market Price Options shall be entitled to exercise at any time after the first anniversary of the date of grant up to 50% of the options granted and the balance of the options shall be exercisable by that eligible participant at any time after the second anniversary of the date of grant provided always that such option shall be exercised before the tenth anniversary of the relevant offer date, failing which all unexercised options shall immediately lapse and become null and void.

Each eligible participant who has been granted Incentive Options shall be entitled to exercise at any time after the second anniversary of the date of grant of up to 50% of the options granted and the balance of the options shall be exercisable by that eligible participant at any time after the third anniversary of the date of grant provided always that such option shall be exercised before the tenth anniversary of the relevant offer date, failing which all unexercised options shall immediately lapse and become null and void.

The grant of options shall be accepted within 30 days from the date of the offer. There are no fixed periods for the grant of the options.

The Scheme shall operate for a maximum of 10 years commencing on the date on which the Scheme is adopted and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(a) Movements in share options

	2004 Number	2003 Number
At 1st April	-	-
Issued during the year	23,540,000	-
At 31 March	23,540,000	-
Options vested at 31 March	-	-

(b) Terms of unexpired and unexercised share options at the balance sheet date

Date granted	Exercise period	Exercise price	2004 Number	2003 Number
1 April 2003	2/4/2005 – 1/4/2013	S\$0.21	14,000,000	-
6 October 2003	7/10/2004 – 6/10/2013	S\$0.32	9,540,000	-
			23,540,000	-

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

19 Equity compensation benefits (cont'd)

(c) Details of share options granted during the year, all of which were granted at a consideration of HK\$1.00

Exercise period	Exercise price	2004 Number	2003 Number
2/4/2005 – 1/4/2013	S\$0.21	14,000,000	-
7/10/2004 – 6/10/2013	S\$0.32	9,540,000	-
		<hr/> 23,540,000	<hr/> -

(d) The following is a summary of share options granted to the directors and senior management of the company:

	Number of share options granted
Directors of the company	
Dennis Li Kin Keung	3,000,000
Vincent Lin Ming Sheng	1,000,000
Cheong Chow Yin	500,000
Professor Francis Chin Yuk-Lun	500,000
	<hr/> 5,000,000
Senior management	
Paul Gao Xiangnong	1,680,000
	<hr/> 1,680,000

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

20 Share capital

The following is a summary of movements in the authorised and issued share capital of the Company:

	Note	Number of ordinary shares of US\$1.00 each	Number of ordinary shares of HK\$1.00 each	Number of ordinary shares of HK\$7.00 each	Number of ordinary shares of HK\$0.07 each	Par value HK\$'000
Authorised:						
Authorised share capital on incorporation	(a)	12,000	-	-	-	94
Reclassification of authorised share capital	(b)	(12,000)	93,600	-	-	-
Creation of additional authorised share capital	(c)	-	90,906,400	-	-	90,906
Consolidation of every seven ordinary shares into one ordinary share	(e)	-	(91,000,000)	13,000,000	-	-
Sub-division of each ordinary share into 100 ordinary shares	(f)	-	-	(13,000,000)	1,300,000,000	-
Total authorised capital as at 31 March 2003 and 31 March 2004		-	-	-	1,300,000,000	91,000
Issued:						
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as the consideration for the acquisition of the entire issued share capital of MultiVision Holdings	(d)	-	19,461,827	-	-	19,462
Share consolidation	(e)	-	(19,461,827)	2,780,261	-	-
Share sub-division	(f)	-	-	(2,780,261)	278,026,100	-
		-	-	-	278,026,100	19,462
New shares issued for public subscription	(g)	-	-	-	70,100,000	4,907
Total issued capital as at 31 March 2003		-	-	-	348,126,100	24,369
New shares issued for public subscription	(h)	-	-	-	69,600,000	4,872
Total issued capital as at 31 March 2004		-	-	-	417,726,100	29,241

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

20 Share capital (cont'd)

During the period from 6 June 2002 (date of incorporation) to 31 March 2004, the following changes in the Company's authorised and issued share capital were recorded:

- (a) On incorporation, the Company had an authorised share capital of US\$12,000 divided into 12,000 shares of US\$1.00 each.
- (b) On 15 October 2002, every ten ordinary shares of US\$1.00 each in the authorised share capital of the Company were reclassified into seventy eight ordinary shares of HK\$1.00 each.
- (c) On 15 October 2002, the authorised share capital of the Company was increased from HK\$93,600 to HK\$91,000,000 by the creation of an additional 90,906,400 shares of HK\$1.00 each.
- (d) On 15 October 2002, pursuant to the Restructuring Exercise, an aggregate of 93,600 nil paid ordinary shares of HK\$1.00 were credited as fully paid; and 19,368,227 new ordinary shares of HK\$1.00 each (which were created as set out in (c) above) were allotted and issued and credited as fully paid, to Mayne Management Ltd, TriVision Ltd, Compelling Vision Management Ltd and GC&C Holdings Ltd, in consideration for the acquisition of the all the issued and paid-up capital of MultiVision Holdings Limited.
- (e) On 22 October 2002, every seven existing ordinary shares of HK\$1.00 each in the authorised and issued share capital of the Company were consolidated into one ordinary share of HK\$7.00 each.
- (f) On 22 October 2002, each ordinary share of HK\$7.00 each in the authorised and issued share capital of the Company was sub-divided into one hundred ordinary shares of HK\$0.07 each.
- (g) On 17 December 2002, 70,100,000 new ordinary shares of HK\$0.07 each were issued to the public at S\$0.23 each for a total cash consideration of approximately HK\$71,836,000, before issue expenses of approximately HK\$12,929,000.
- (h) On 15 July 2003, 69,600,000 new ordinary shares of HK\$0.07 each were issued to the public at S\$0.317 each for a total consideration of approximately HK\$97,667,000, before issue expenses of approximately HK\$4,295,000.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

21 Reserves

Group

	Note	Contributed surplus HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2002		-	-	-	5,072	5,072
Arising on Restructuring Exercise	(i)	9,210	-	-	-	9,210
New shares issued for public subscription		-	66,929	-	-	66,929
Share issue expenses	(ii)	-	(12,929)	-	-	(12,929)
Net profit for the year		-	-	-	25,320	25,320
Balance at 31 March 2003		9,210	54,000	-	30,392	93,602
New shares issued for public subscription		-	92,795	-	-	92,795
Share issue expenses		-	(4,295)	-	-	(4,295)
Exchange difference on translation of financial statements of overseas subsidiaries	(iii)	-	-	70	-	70
Net profit for the year		-	-	-	37,613	37,613
Balance at 31 March 2004		9,210	142,500	70	68,005	219,785

- (i) The contributed surplus of the Group arose as a result of the Restructuring Exercise and represents the excess of the nominal value of the Company's issued shares credited as fully paid as consideration for the acquisition of MultiVision Holdings Limited over the nominal value of the share capital of MultiVision Holdings as acquired.

Under The Company Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company cannot declare a dividend, or make a contribution out of the contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby become less than the aggregate of its liabilities, issued share capital and share premium accounts.
- (ii) The share issue expenses of the Group and of the Company included professional service fees of approximately HK\$2,102,000 paid to the auditors and reporting accountants in connection with the issue of the Company's shares to the public.
- (iii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operation of the company.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

21 Reserves (cont'd)

Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 26 June 2002 (date of incorporation)	-	-	-
New shares issued for public subscription	66,929	-	66,929
Share issue expenses	(12,929)	-	(12,929)
Net loss for the year	-	(150)	(150)
Balance at 31 March 2003	54,000	(150)	53,850
New shares issued for public subscription	92,795	-	92,795
Share issue expenses	(4,295)	-	(4,295)
Net loss for the year	-	(210)	(210)
Balance at 31 March 2004	142,500	(360)	142,140

22 Related party transactions

During the relevant period and up to the date of these consolidated financial statements, the following significant related party transactions took place:

	Note	Group 2004 HK\$'000	2003 HK\$'000
(a) Recurring transactions			
Sales of goods	i	3,796	3,955
Service fee charge	ii	(951)	-
Subcontracting fee charge	iii	(371)	-
Purchases of materials	iv	(1,879)	-

Notes:

- i. During the periods presented, the Group sold goods to UniVision Engineering Limited ("UniVision Engineering") at terms similar to those provided to independent customers. UniVision Engineering is a provider of surveillance systems integrating services in Hong Kong, and is approximately 53.33% (2003: 53.33%) and 46.67% (2003: 46.67%) respectively beneficially owned by Mayne Management Limited and TriVision Limited. Mayne Management Limited and TriVision Limited are substantial shareholders of the Group.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

22 Related party transactions (cont'd)

(a) Recurring transactions (cont'd)

- ii. During the year ended 31 March 2004, UniVision Engineering provided technical support services to the Group on certain project sales. Such fees charged to the Group by UniVision Engineering were similar to those charged by independent service providers.
- iii. During the year ended 31 March 2004, the Group subcontracted UniVision Engineering to perform installation works for the Group on certain project sales. Such fees charged to the Group by UniVision Engineering were similar to those charged by independent subcontractors.
- iv. During the year ended 31 March 2004, the Group purchased materials from UniVision Engineering. The prices charged to the Group by UniVision Engineering were similar to those charged by independent suppliers.

	Note	2004 HK\$'000	Group 2003 HK\$'000
(b) Non-recurring transactions			
Purchase of equipment	i	-	(865)

Notes:

- i. During the year ended 31 March 2003, the Group purchased equipment from UniVision Engineering. The prices charged to the Group by UniVision Engineering were similar to those charged by independent suppliers.

23 Financial instruments and concentration of risks

As at 31 March 2004, the Group's financial assets comprised mainly trade receivables, deposits and other receivables, and cash and cash equivalents. The Group's financial liabilities comprised mainly trade and other payables.

(a) Business risk

The Group does not manufacture its own products. By a processing agreement entered into in March 2001, Shenzhen Zhong Peng Hui Development Company Limited was appointed as the sole subcontractor of the Group to assemble its products pursuant to the Group's technical specifications. The agreement provides that either party may terminate the agreement if one of the parties commits a material breach of the terms. The agreement expired on 31 December 2003 but has been extended orally by both parties until they enter into another new processing agreement. Although the Group believes that it maintains good relationships with its subcontractor, there can be no assurance that the Group's business and operations would not be adversely affected if there is any disruption in the production of its subcontractor. During the year, subcontracting fees totalling HK\$19,756,000 (2003: HK\$22,059,000) were incurred by the Group.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

23 Financial instruments and concentration of risks (cont'd)

(a) Business risk (cont'd)

In addition, for the year ended 31 March 2004, sales made to the largest three distributors namely Elixir Group (Macau) Limited, Pitfield Technologies Limited and Zhuhai Neng Tong Bo Zhi Computer Network Company Limited amounted to HK\$30,860,000 (2003: HK\$3,536,000), HK\$29,197,000 (2003: HK\$17,631,000) and HK\$23,990,000 (2003: HK\$30,957,000) respectively which accounted for approximately 24% (2003: 4%), 23% (2003: 19%) and 19% (2003: 32%) of the Group's total turnover, respectively. The duration of distributorship agreements with these distributors ranges from one to two years but may be extended upon negotiation at least two months prior to the expiry of the agreements. Although the Group believes that it maintains good relationships with its distributors, there can be no assurance that these distributors will continue to purchase from the Group when the agreements expire. In the event that these distributors cease to purchase from the Group, the Group's turnover and profitability will be adversely affected.

(b) Credit risk

Most of the Group's cash and cash equivalents are deposited with banks in Hong Kong. The carrying amounts of trade receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. As at 31 March 2004, trade receivables due from affiliated companies amounted to HK\$4,840,000 (2003: HK\$4,014,000). The Group has no other significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

(c) Foreign exchange risk

The Group incurs foreign currency risk predominantly on sales to overseas customers which are generally denominated in United States dollars. The Group also incurs foreign currency risk on part of its purchases sourced from overseas suppliers which are primarily denominated in United States dollars and Euros. The Group reviews its foreign currency exposures regularly and does not consider its present foreign exchange risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign exchange risk becomes significant.

In addition, the Group has significant sales to customers in the PRC. Although the sales are denominated in Hong Kong dollars, existing restrictions on the conversion of Renminbi into foreign currencies affect the ability of the PRC customers to convert Renminbi into foreign currencies, and any tightening of such restrictions could have an adverse effect on the Group.

(d) Fair values

The fair values of cash and cash equivalents, trade receivables, deposits and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

Notes to the Financial Statements

For the Year Ended 31 March 2004

(Expressed in Hong Kong dollars)

24 Commitments

(a) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases in respect of office premises with terms over one year are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Payable as follows:		
– within 1 year	2,714	1,197
– after 1 year but within 5 years	864	643
	<u>3,578</u>	<u>1,840</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease upon expiry when all terms are renegotiated. No contingent rents are payable.

(b) Investing commitment

As at 31 March 2004, the Group was committed to invest MOP\$1,000,000 in a new subsidiary MultiVision Intelligent Surveillance (Macao Commercial Offshore) Limited in Macau.

25 Post balance sheet events

- (a) MultiVision Holdings Limited approved the incorporation of a new subsidiary MultiVision Intelligent Surveillance (Macao Commercial Offshore) Limited in Macau with an authorised capital of MOP\$1,000,000 on 9 February 2004. The incorporation formalities were still under progress at the balance sheet date and are expected to be completed during the next financial year.
- (b) On 26 May 2004, the Company granted 27,000,000 options to employees and directors to enable them to subscribe for ordinary shares of HK\$0.07 each at the exercise price of S\$0.19. The exercise period is from 27 May 2005 to 26 May 2014.

The following is a summary of share options granted to directors of the Company:

	Number of options granted
Directors of the company	
Louis Mak Fuk Sang	3,500,000
Dennis Li Kin Keung	3,000,000
Vincent Lin Ming Sheng	1,000,000
Cheong Chow Yin	500,000
Professor Francis Chin Yuk-Lun	500,000
	<u>8,500,000</u>

Statistics of Shareholdings

as at 04 June 2003

Authorised share capital : HK\$91,000,000
 Issued and fully paid-up capital : HK\$29,240,827
 Class of shares : Ordinary
 Voting rights : One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.14	977	0.00
1,000 - 10,000	1,173	33.05	9,577,000	2.29
10,001 - 1,000,000	2,352	66.27	117,661,000	28.17
1,000,001 and above	19	0.54	290,487,123	69.54
Total:	3,549	100.00	417,726,100	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	UOB Kay Hian Pte Ltd	113,616,383	27.20
2	TriVision Limited	36,344,400	8.70
3	Citibank Nominees Singapore Pte Ltd	32,328,550	7.74
4	HL Bank Nominees (S) Pte Ltd	17,693,000	4.24
5	OCBC Securities Private Ltd	16,105,000	3.86
6	Kim Eng Securities Pte Ltd	10,878,800	2.60
7	DBS Vickers Securities (S) Pte Ltd	10,070,091	2.41
8	Orlit Enterprises (S) Pte Ltd	9,290,000	2.22
9	Citibank Consumer Nominees Pte Ltd	8,748,000	2.09
10	SBS Nominees Pte Ltd	8,350,000	2.00
11	United Overseas Bank Nominees Pte Ltd	5,564,000	1.33
12	Mak Fuk Sang	4,225,600	1.01
13	Lim & Tan Securities Pte Ltd	3,669,000	0.88
14	DBS Nominees Pte Ltd	3,612,000	0.86
15	Phillip Securities Pte Ltd	3,178,299	0.76
16	Mayban Nominees (S) Pte Ltd	2,415,000	0.58
17	Hong Leong Finance Nominees Pte Ltd	1,761,000	0.42
18	G K Goh Stockbrokers Pte Ltd	1,438,000	0.34
19	Lin Samuel Jr	1,200,000	0.29
20	Lee Hau Hian	1,000,000	0.24
Total :		291,487,123	69.77

Statistics of Shareholdings

as at 04 June 2003

Substantial Shareholders (as recorded in the Register of Substantial Shareholders) as at 04 June 2004

Substantial Shareholders	Direct Interest		Deemed Interest		Total Number	
	Number of Shares	%	Number of Shares	%	of Shares	%
Terence Luk Chung Po ^{(2), (3)}	125,600	0.03	59,794,200	14.31	59,919,800	14.34
Louis Mak Fuk Sang ^{(4), (5)}	4,225,600	1.01	41,709,200	9.98	45,934,800	11.00
TriVision Limited ^{(1), (4)}	41,709,200	9.98	-	-		
Compelling Vision Management Limited ⁽²⁾	59,794,200	14.31	-	-		
GC&C Holdings Limited ⁽⁶⁾	23,407,100	5.60	-	-		
Amber Intertrade Ltd ^{(1), (4)}	-	-	41,709,200	9.98		
Goldsun Computer & Communication Co., Ltd ⁽⁶⁾	-	-	23,407,100	5.60		
Peregrine Soleil Asset Holdings Ltd. ⁽⁶⁾	-	-	23,407,100	5.60		
Wong Fung-Ling ⁽⁴⁾	-	-	41,709,200	9.98		

Notes:-

- (1) TriVision Limited ("TriVision") is an investment holding company incorporated under the laws of the British Virgin Islands. The issued share capital of TriVision is 57.34%-owned by Amber Intertrade Ltd.
- (2) Compelling Vision Management Limited ("Compelling Vision") is an investment holding company incorporated under the laws of the British Virgin Islands. The issued share capital of Compelling Vision is 95%-owned by Terence Luk Chung Po.
- (3) Terence Luk is deemed to be interested in the Shares held by Compelling Vision, by virtue of his interest in Compelling Vision.
- (4) Amber Intertrade Ltd ("Amber") is an investment holding company incorporated under the laws of the British Virgin Islands. Amber owns 57.34% of the issued and paid-up capital in TriVision and is deemed to be interested in the Shares held by TriVision.

The issued share capital of Amber is approximately 54.82%-owned by Wong Fung-Ling and members of the Wong family, approximately 43.60%-owned by Louis Mak Fuk Sang and members of the Mak family and approximately 1.58%-owned by an individual shareholder. Wong Fung-Ling is the spouse of Louis Mak and they are therefore deemed to hold approximately 98.42% of the issued share capital in Amber.
- (5) Louis Mak is deemed to be interested in the Shares held by TriVision by virtue of his interest in Amber.
- (6) GC&C Holdings Limited ("GC&C") is an investment holding company incorporated as an exempt limited company under the laws of the Cayman Islands.

The issued share capital of GC&C is 100%-owned by Peregrine Soleil Asset Holdings Ltd. ("Peregrine"), an investment holding company incorporated under the laws of the British Virgin Islands. Peregrine is a wholly-owned subsidiary of Goldsun Computer and Communication Co., Ltd ("Goldsun"), an Internet network provider and supplier of application software services and cyber security services. Goldsun is a subsidiary of Taiwan Secom Co., Ltd ("Taiwan Secom"), a company listed on the Taiwan Stock Exchange.

Goldsun and Peregrine are deemed to be interested in the Shares held by GC&C by virtue of their interests in GC&C.

Statistics of Shareholdings

as at 04 June 2003

Free Float

As at 04 June 2004, approximately 67.65% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MULTIVISION INTELLIGENT SURVEILLANCE LIMITED (the “Company”) will be held at Orchard Hotel Shopping Arcade, Arcadia Room, Level 2, 442 Orchard Road, Singapore 238879 on Thursday, 22 July 2004 at 2.30 pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the financial year ended 31 March 2004 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Bye-law 104 of the Bye-laws of the Company:

Mr. Terence Luk Chung Po **(Resolution 2)**
Mr. Dennis Li Kin Keung **(Resolution 3)**
3. To approve the payment of Directors’ fees of HK\$210,000 for the financial year ended 31 March 2004. (2003: HK\$150,000) **(Resolution 4)**
4. To re-appoint Messrs KPMG as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. Authority to allot and issue shares up to fifty per cent. (50%) of issued capital

“That, pursuant to Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”), authority be and is hereby given to the Directors to:-

- (a) allot and issue shares in the Company; and
- (b) issue convertible securities and any shares in the Company pursuant to convertible securities

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law or by the Company’s Bye-laws to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

Notice of Annual General Meeting

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (iii) any subsequent consolidation or subdivision of shares.” *[See Explanatory Note (i)]* **(Resolution 6)**

7. Authority to grant options and issue shares under the MultiVision Employee Share Option Scheme

“That the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted under the MultiVision Employee Share Option Scheme (the “Scheme”) provided always that the aggregate number of shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time.” *[See Explanatory Note (ii)]*

(Resolution 7)

By Order of the Board

Gao Xiangnong
Raymond Tong Wei Min
Company Secretaries

Singapore
28 June 2004

Notice of Annual General Meeting

Explanatory Notes:

- (i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the Company. The number of shares which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the maximum potential issued share capital (as defined in Resolution 6) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the maximum potential issued share capital (as defined in Resolution 6) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- (ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

Notes:

- 1. If a member being a depositor whose name appears in the Depository Register (as defined in the Bye-laws of the Company) wishes to attend and vote at the Annual General Meeting, then he/ she should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, at least 48 hours before the time of the Annual General Meeting.
- 2. If a depositor wishes to appoint a proxy/ proxies, then the Proxy Form must be deposited at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, at least 48 hours before the time of the Annual General Meeting.



Singapore Office

6 Battery Road, #16-01, Singapore 049909
Tel: +65 6327 5460 Fax: +65 6533 0301

Hong Kong Office

26/F Aitken Vanson Center, 61 Hoi Yuen Road, Kwun Tong,
Kowloon, Hong Kong Tel: +852 2797 5678 Fax: +852 2797 5679