

Your security is
our business.

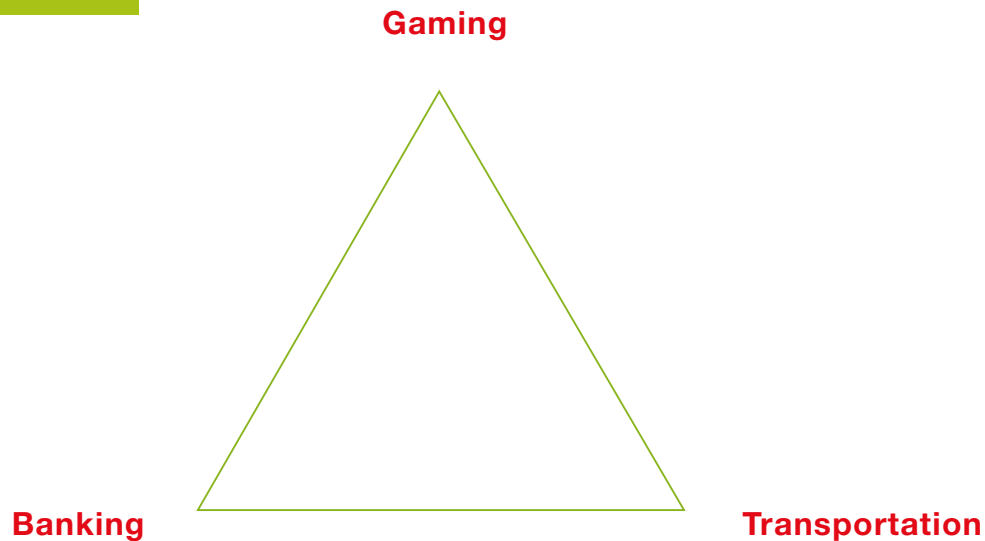


ANNUAL REPORT
2005

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Forward



"We continued to reiterate our focus on and commitment to our three core vertical market segments – gaming, banking and transportation – and have further invested resources and energy in developing products and solutions for these markets. We are pleased to note that our efforts have paid off."

– Terence Luk
Non-Executive Chairman

OUR VISION To become the market leader in the global security industry focussing on surveillance.

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

OUR EXECUTION We leverage on innovation and technology to develop high-performance, end-to-end integrated digital video surveillance solutions. Our customer-focussed approach in developing products and solutions allows us to offer quality products and solutions that exceed our customers' expectations and needs. Having been ISO9001-certified, we remain committed to maintaining excellence in software design and sale of digital video surveillance products. We are confident that we will continue to deliver on our promises and maintain our position as a leading player in the digital video surveillance industry.

Corporate Profile

MultiVision Intelligent Surveillance Limited has come a long way since our inception in 1986. The Company was started by a team of entrepreneurial Close Circuit Television (“CCTV”) engineers. They set their sights on developing technically advanced products and undertaking major surveillance projects in the region.

The Company started off with designing and manufacturing matrix switches – products for the analog CCTV environments. With the onset of the digital age in the mid-90s, the management foresaw an industry shift in demand for digital-based surveillance solutions. The Company branched into the development of digital video surveillance products and solutions in 1997 and produced its first digital video surveillance product in 2000. **Today, we boast a comprehensive portfolio of digital video surveillance products and solutions with customers across the world.**

Case Study: Sociedade de Jogos de Macau is the leading gaming operator in Macau with 22 facilities under its flag, including Lisboa, Mona Lisa, Crystal Palace and New Century, to name a few.

BUSINESS CASE

Casinos operate round the clock and every minute of downtime is revenue lost. In addition, gaming regulations mandate that all gaming tables taking bets have to be under video surveillance with all activities to be recorded at all times. Therefore a robust and reliable surveillance system is crucial to gaming operators.

Sociedade de Jogos de Macau (“SJM”) wanted to replace all its analog surveillance products with products based on a digital platform to make its surveillance operations more manageable. The digital video surveillance products had to offer excellent image quality, instant failover (without the need to deploy a fully redundant system) and easy-to-manage archival capabilities to ensure the smooth running of SJM’s security operations.

MultiVision’s team designed a system architecture which ensured that SJM’s business would not be affected while the implementation project was underway. MultiVision’s proprietary “heartbeat monitoring technology” promised SJM 24-by-7 system uptime, ensuring that SJM’s operations remained fail-safe. It constantly monitored the health of the equipment – instantly detecting faulty sub-systems and immediately transferring the necessary surveillance functions to backup sub-systems – to maximise system uptime and business opportunities.

In addition, a central surveillance operations centre was set up from where the gaming operator can control and monitor the activities of its remote facilities from a central location. This allowed SJM to promptly and efficiently handle security breaches without affecting the customers in the gaming facilities. This in turn maximises the players’ gaming experience at its facilities.



MultiVision's innovative heartbeat monitoring technology gives a new meaning to the term full redundancy. Without having to deck up a plethora of resources to ensure system uptime, gaming operators can run their daily operations without disruption, while maximising resource efficiency.





Chairman's Statement

Letter to shareholders

MultiVision Intelligent Surveillance Limited ("MultiVision") has continued to deliver on our promise to sustain and grow our business at double-digit rates for the third consecutive year since our listing on the Mainboard of the Singapore Exchange in 2002.

For financial year 2005 ("FY2005"), we are pleased to announce that we achieved a 28% growth in turnover to a record HK\$168.3 million from HK\$131.9 million for FY2004, with profit from operations improving to HK\$34.8 million.

In addition, we were ranked among the top 40 security companies globally for the second year running by A&S International, an international security industry trade magazine. The ranking attests to MultiVision's solid global standing among the world's best security equipment vendors.

Key markets to success

We continued to reiterate our focus on and commitment to our three core vertical market segments – gaming, banking and transportation – and have further invested resources and energy to develop and strengthen our vertically-integrated products and solutions to address the needs of our customers in each of these key markets. We are pleased to note that our efforts have paid off.

Geographically, the Group continued to extend its presence outside our core market of Greater China (consisting of Macau, Hong Kong and the People's Republic of China ("PRC")), following the increase in the total number of representative offices and subsidiaries we have around the world. Correspondingly, contribution from our new markets increased, accounting for 31% of FY2005 turnover, up from 26% in FY2004.

Europe, a new market we entered in FY2005, saw remarkable performance, growing over 140% to HK\$2.5 million. In addition, the Group secured major new projects for leading-edge digital video surveillance solutions for gaming facilities in Vietnam and the USA, and prison facilities in the Middle East.

Meanwhile, we continued to maintain our lead as the prime provider of digital video surveillance solutions to Macau's gaming

industry, with more than 80% of gaming facilities in Macau today using MultiVision's digital video surveillance solutions to "watch over" their facilities. Our penetration into Macau reached a milestone in FY2005, with turnover from Macau growing over 80% to become the largest contributor to revenue. Recognised as a key global gaming destination and touted as the "Las Vegas of Asia", revenues generated by Macau's 12 casinos were reported to top US\$3.6 billion in 2004 versus US\$4.8 billion by Las Vegas' famous "Casino Strip" in 2003.*

As the gaming sector continues to open up in various countries, gaming operators will seek new equipment and solutions to keep up with evolving industry regulations and the latest security requirements. We believe that opportunities exist for us to capture a share of the new markets, and believe that we are well-positioned to serve gaming operators looking to replace existing analog video surveillance products with digital solutions that will allow them to better manage the security of their facilities, or who are looking to expand and install video surveillance equipment at new gaming facilities.

Our strategy to offer integrated, high-quality video surveillance solutions to banking customers has not wavered. We built on our existing suite of recognised and respected products to create a comprehensive and innovative solution suite, developed by personnel with in-depth domain experience and expertise in the banking industry.

Our industry-focussed solution offering was key to our securing Hunan Post Bureau in the PRC as a banking customer in February 2004, and within six months, we had successfully implemented our products and solutions at over 100 branches and 150 ATMs. Highlighting their continued confidence in us, we were in March 2005 awarded the second phase of Hunan Post Bureau's surveillance project, which will see our solutions being installed at a further 200 branches. The continual support from Hunan Post Bureau is a strong endorsement from a satisfied customer and clearly demonstrates the strength and quality of our solutions.

We have not slackened in the transportation sector. Since being selected as the vendor of choice for digital video surveillance products and solutions by London Lines in the United Kingdom, we have been busy implementing our solutions at many of its train stations and facilities in remote locations.

We also acquired Acqis Technologies Inc. ("Acqis"), a modular computer equipment vendor, in May 2004 and are pleased that Acqis has been successfully integrated into MultiVision as our Mobile System Division. Leveraging on Acqis' competence in mobile computing, we extended our existing mobile surveillance offerings for the transportation industry. This has strengthened our position within the industry.

Other growth avenues

The Group is constantly in pursuit of complementary business lines which will spur our growth moving forward. We have invested in Sino Gear Force Limited ("Sino Gear Force") and China-Vision Intelligent Card Reader Co Ltd ("China-Vision") in the PRC and are confident of their contribution to our business in the near future.

Sino Gear Force has been gaining strength since July 2004 following the successful launch of its IP-based video surveillance service using China Netcom's network backbone infrastructure. Demand for such a service has been very strong, with a number of kindergartens in the PRC extending Sino Gear Force's subscription-based services to parents as a value-added service to them.

China-Vision offered an attractive proposition into which we bought a 24% indirect stake in March 2005. The company is the only foreign-invested manufacturer among 10 companies approved to produce next-generation smart ID card reader machines and kiosks in a nationwide project in the PRC involving up to a billion people. More importantly, its business is synergistic in many ways to MultiVision's business. Its strong customer base is made up of public security bureaus and corporate clients who are key users of and decision makers on public and private security and surveillance solutions, providing us direct and immediate access to potential customers which would have otherwise cost us tremendous time and energy to acquire. We are bullish on China-Vision's contribution to MultiVision's profitability.

** Figures are drawn from the Macau SAR government's recent report and the Nevada Gaming Control Board respectively.*

Corporate governance

In February, Mr. Vincent Lin Ming Sheng, who served as Director/Deputy Chairman and as a member of the remuneration committee, resigned from the board. We thank him for the invaluable service he has rendered in the past. Mr. Lin's position on the remuneration committee will be filled by me.

Looking forward

FY2005 has been a fruitful year for MultiVision as we realised our strategies to capture the global opportunities and strengthen our industry-centric offerings. We believe that our efforts in the past year has strengthened and better positioned MultiVision in our aim to become a leading global supplier of integrated and end-to-end digital video surveillance solutions, and provided us with a competitive edge in the market.

On behalf of my fellow board members, I would like to thank the management, our employees, our partners and shareholders for their hard work and support for MultiVision. We look forward to many more rewarding years together in working to achieve our goals. Thank you!



Terence Luk
Non-Executive Chairman

Board Of Directors



- 01 Terence Luk Chung Po
- 02 Louis Mak Fuk Sang
- 03 Dennis Li Kin Keung
- 04 Cheong Chow Yin
- 05 Professor Francis Chin Yuk-Lun

BOARD OF DIRECTORS

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 Non-Executive Vice Chairman of Armarda Group Limited and holds directorship at Wanji Pharmaceutical Holdings 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, 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 last held the position of Non-Executive Director at TVH.

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 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 Independent Director in October 2002. He holds directorship at YCL Investment Pte Ltd, NeteLusion Limited, Universal Holding Ltd and Wayonnet 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, Taikoo Professor of Engineering and Associate Dean of the Graduate School of the University of Hong Kong. Prior to his appointment at the 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 founding CEO of Hong Kong Domain Name Registration Company Limited in 2001.

MANAGEMENT TEAM

Mr. Louis Mak Fuk Sang

Chief Executive Officer and Chief Technology Officer

Since founding the Company in 1986, Mr. Louis Mak Fuk Sang has been instrumental in strategising and driving the Company's growth. As Chief Technology Officer, he charts the technology and product roadmaps and is responsible for the research and development of new products and solutions.

Mr. Dennis Li Kin Keung

President and Chief Operations Officer

Mr. Dennis Li Kin Keung takes charge of the daily running and operations of the Company and heads the global sales and marketing teams. Leveraging his rich experience in business development, Mr. Li is responsible for evaluating, monitoring and forging partnership opportunities and new businesses for the Company.

Mr. Paul Gao Xiangnong

Chief Financial Officer

As the Chief Financial Officer, Mr. Paul Gao Xiangnong has overall responsibility for 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 by the State Board of Accountancy, of the State of Colorado, the USA.



- 01 Louis Mak Fuk Sang
- 02 Dennis Li Kin Keung
- 03 Paul Gao Xiangnong

Case Study: Hunan Post Bureau is a fast-growing postal savings service with a network of 1,800 branches located across Hunan province in the PRC. It offers an extensive range of financial services and products in more than 14 regions in the province.

BUSINESS CASE

Automatic teller machines (“ATMs”) and bank branches are the most heavily accessed portions of a banking system, which makes them the most susceptible to being attacked. While most banks are fitted with video surveillance solutions to record daily transaction activities, the challenge arises when the footage is used to investigate fraudulent acts. Reviewing archived surveillance images is a time-consuming and gruelling task.

Hunan Post Bureau realised the importance of proper surveillance planning and equipment selection in helping to lower the cost of security operations, without compromising the security of its facilities. It also needed a surveillance solution with quick-search features to efficiently locate specific surveillance images.

MultiVision’s team drew up a comprehensive surveillance plan for Hunan Postal Services creating a safe environment in which the banking customers can confidently carry out their transactions. MultiVision’s unique banking surveillance applications and solutions offer Hunan Postal Services easy video information retrieval, which is a key requirement when investigating fraudulent transactions.

Integrated with the bank’s back-end applications, MultiVision’s text-overlay application captures the customer’s ATM card number and places it over the video images taken of the customer carrying out the transaction. The application also indexes the video images according to customers’ ATM card numbers, allowing the bank to easily retrieve the relevant video images using the ATM card number and time of transaction as a reference. MultiVision’s picture-in-picture application completes the surveillance solution, by capturing not just snapshots of customers at the kiosks but also of the ATM or branch surroundings as the transaction takes place.



MultiVision's text-overlay application sets a precedence in surveillance applications. Without having to search through the huge amount of recorded video images, banks are able to track down security breaches by quickly obtaining the necessary video evidence to support their case, speeding up the investigation of fraudulent cases.



Operations Review

Operations review

Financial year 2005 ("FY2005") was an eventful period for us. We expanded our geographic footprint to the UK and the USA while simultaneously strengthening our operations in the Asia Pacific.

Expanded clientele

We broke new ground, earning numerous new and prestigious clients. In Australia, we were tasked with installation projects at remand centres and the renowned Sydney Harbour Bridge. Remand centres are prone to riots and break outs, and require the highest level of surveillance and monitoring. Tourist attractions such as the Sydney Harbour Bridge are high-risk areas and ensuring the safety of visitors to the site is of utmost importance to the authorities. These wins bear the endorsement from our customers for the quality and performance of our solutions.

While Hong Kong is a relatively mature market for digital surveillance systems, we have built on our knowledge and expertise to pioneer new applications for our existing products and create new markets for our solutions. Star TV, for example, deployed our products to meet its need for high-resolution recording of broadcast-quality video and reliable real-time archival retrieval and playback, instead of traditional surveillance purposes.

In Europe, business was underpinned by our work with London Lines, even as our team has its sight set on the emerging Middle Eastern market. We also made inroads into the public sector with our established partners.

Exceptional growth

Our business in the Greater China region was strengthened in FY2005 as our sales offices were in place to support the booming security equipment market. A well-executed business strategy saw our combined turnover across the Greater China region grow 19.5% to reach HK\$116.7 million from HK\$97.7 million in FY2004.

Macau delivered an exceptionally strong order book for FY2005, with our range of high-resolution, feature-rich products spurring demand for our digital video surveillance solutions. To date, we have installed our systems in as many as 22 gaming facilities and continue to proactively deploy them in the new casinos that the gaming operators have planned for.

With the increased liberalisation of Macau's gaming industry, competition among gaming operators will heat up and more facilities will be built as operators bid to outdo each other to capture a bigger share of the market. In turn, this will drive demand for surveillance solutions which are key in the operators' set-up.

We also secured Seng Heng Bank as our first banking customer in Macau. Seng Heng Bank is the second largest locally incorporated bank in Macau with an extensive network of branches and ATMs in the territory. This win is an excellent



testimonial of our strength in offering solutions for the banking industry, outside of our traditional strength in the gaming industry.

MultiVision's enterprise-focussed approach took flight in the PRC market. The HK\$7.2 million win of the first phase of the Hunan Post Bureau project in February 2004 and a follow-up HK\$10 million win of the second phase of the project in March 2005, reflects our well-executed strategy. By the end of the second phase, we would have installed our digital video surveillance solutions in a total of over 300 branches and 150 automated teller machines ("ATMs").

During the financial year, we captured new customers in the transportation industry. We tendered for and were awarded the first surveillance project worth HK\$2.5 million from the Ministry of Railways in the PRC to upgrade the surveillance system for a regional train station depot. With a total of 17 regional depots that need to upgrade their surveillance systems, this initial win is a big step for us to continue tapping into an estimated pool of contracts worth HK\$50 million.

At the same time, we continued to explore new business opportunities and partnerships in the PRC. Prior to the financial year end, we lent HK\$15 million to Huge Hill Limited to finance the latter's public security surveillance project in the PRC, thus penetrating into this market segment.

We also tapped on our network of channel partners to market our products to the lower-end of the market. We continued to generate revenue from the distribution channel, despite intense competition and price pressures. Revenues were, however, slightly affected with the reorganisation of our distributor network to better tap on this channel for growth in the PRC market.

JVs and acquisitions

In a bid to expand our business which focusses on projects-based and distribution-based sales, we formed a joint-venture company Sino Gear Force Limited ("Sino Gear Force") to provide IP-based video surveillance services to the populous PRC market. Sino Gear Force's service is an optional part of China Netcom's bundled offerings to the latter's subscribers.

In March 2005, MultiVision invested HK\$50 million at the close of the financial year for an indirect stake in China-Vision Intelligent Card Reader Co Ltd ("China-Vision"). China-Vision is among one of ten companies appointed to produce next-generation smart ID card reader machines and kiosks in a nationwide project in the PRC involving up to a billion people.

We embarked on a marketing strategy in July 2004 targeting kindergartens in the Heilongjiang province. Many parents have indicated their willingness to subscribe to the surveillance services which will allow them to remotely monitor their children in the school. The pilots have been successful and we are now launching the program into the other provinces and regions.

Technology as the key differentiator

As a technology-based company, we strongly believe in developing market-driven technologies, products and solutions which help our customers run their operations more effectively and enhance the level of security at their facilities. We continue to invest in product and solution development which provides us with an edge over the competition.

In September 2004, we debuted the Smart Image Processor ("SIP"), the latest product from our laboratories, at ASIS 2004, an international security tradeshow which attracts thousands of visitors annually to preview the latest offerings from security and surveillance vendors. The SIP, the first of its kind, is the result of customer feedback on the lack of products and applications which can offer significant improvements in picture quality. The SIP greatly enhances the quality of recorded video images – key for video surveillance monitoring – with its video image stabiliser and video enhancement capabilities. It features patent-pending technologies including directional motion detection, object-size motion sensing and colour detection.

We currently hold three short-term technology patents for our computing solutions. We will build on these technologies to provide our customers with an expanded range of product and solution offerings.

Looking ahead

We remain focussed on our strategy to build strong direct sales teams and develop new customers in the gaming, banking and transportation industries, while supporting our partners in channel sales. We will simultaneously continue to develop technologies and applications which will differentiate us from the competition. Hence, we believe that MultiVision is well poised for growth in the markets we operate in.



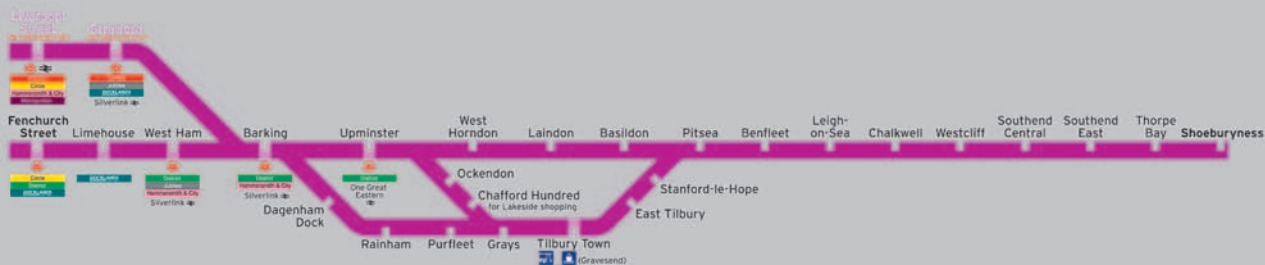
Case Study: Londonlines operates the three London-based commuter rail companies of c2c, Silverlink Trains and Wagn serving 171 stations. Londonlines is owned by the National Express Group which operates a UK train fleet which travels over 287 million miles annually.

BUSINESS CASE

Aside from reliability and punctuality, security appears high on travellers' criteria when choosing their mode of transportation. Londonlines' key security challenge is in building a safe and secure environment for its customers and ensuring them peace of mind when travelling with the company. Londonlines serves many diverse communities and it is important that security is tackled as significantly and consistently at the smaller more rural stations as it is at the major London terminals.

As the project requires minimal disruption to current operations, MultiVision's digital video surveillance products and solutions offer a seamless transition from the analog to digital platform. Londonlines was able to record and review video images of activities in its stations and platforms real time, allowing it to take rapid and effective actions to protect its commuters and assets, where necessary.

At the same time, all stations are monitored and managed using MultiVision's remote management client which allows Londonlines' staff to manage and monitor even the most remote railway station from a central control, without having to deploy additional staff to work physically at those stations. This ensures more effective deployment of its staff and better control and management of its many train stations.



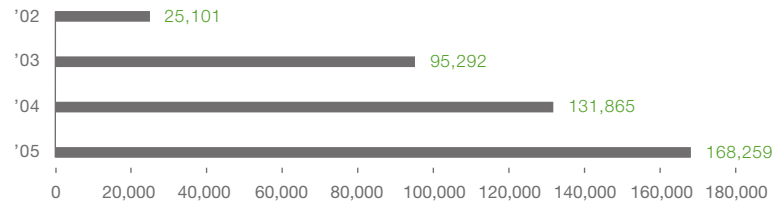
Transportation

MultiVision's range of industry-centric video surveillance solutions leads in the analog to digital migration front. Without having to overhaul the existing infrastructure, rail operators can beef up the security of their facilities and react promptly to emergency situations, greatly enhancing customers' travelling experience.



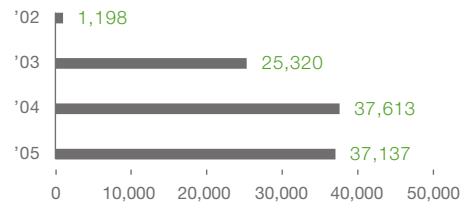
Financial Highlights

TURNOVER (HK\$'000)



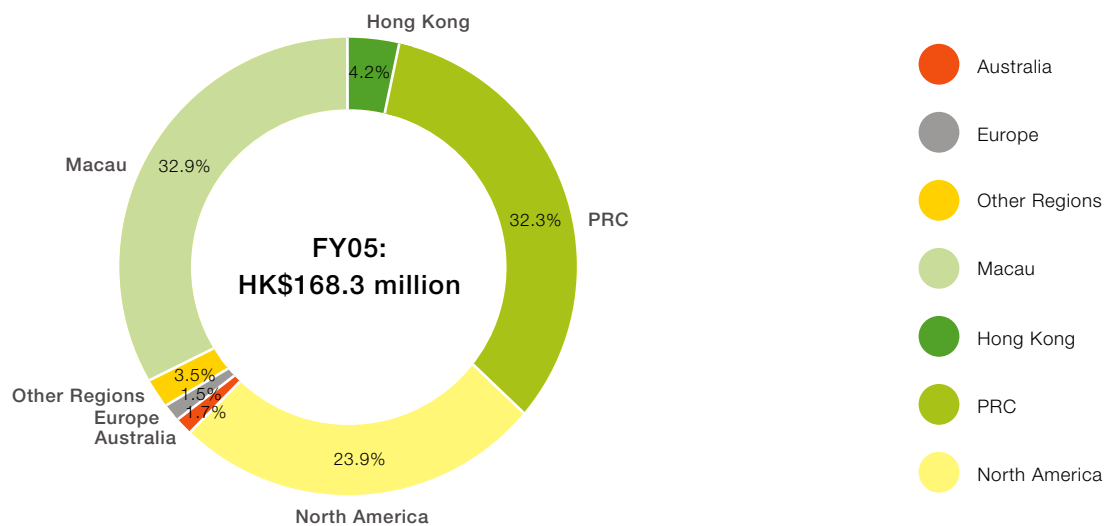
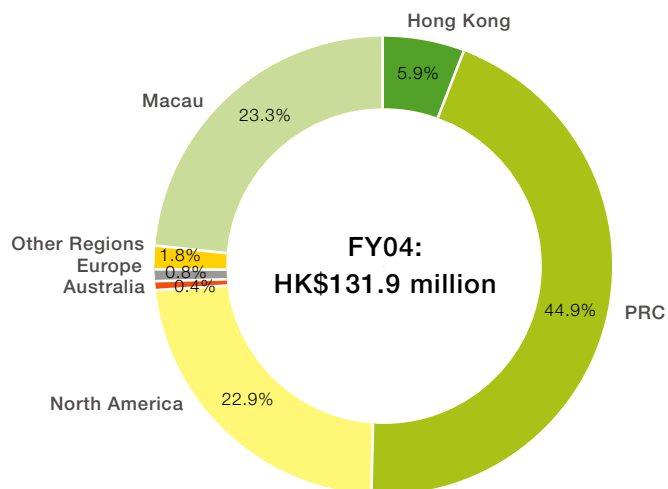
MultiVision has grown from strength to strength since our listing in December 2002. Growth in turnover has been propelled by the Company's successful execution of its strategies – focussing on the gaming, banking and transportation industries – and expanding into new geographical territories.

PROFIT AND LOSS (HK\$'000)



The increase in profit after tax corresponds to the increase in turnover. FY2004 registered an exceptional growth of 48.6 percent due to a tax provision write-back in that year.

REVENUE BY GEOGRAPHICAL REGIONS



Our three-pronged strategy led to Macau becoming the top revenue contributor for FY2005. Adoption of our digital video surveillance grew in tandem with demand for sophisticated surveillance systems in the gaming industry in Macau. The setting up of new offices/representative offices in Australia, Europe and North America also helped spur growth in those countries.

Corporate Information

Board Of Directors

Terence Luk Chung Po *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

Professor Francis Chin Yuk-Lun *Chairman*
Cheong Chow Yin
Terence Luk Chung Po

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

Auditors

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)

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CORPORATE GOVERNANCE REPORT

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).

Principle 1: 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.

Principle 2: Board Composition and Balance

Principle 4: Board Membership

Board of Directors

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

Name	Designation of board members	Committee membership		
		Audit Committee	Remuneration Committee	Nominating Committee
Terence Luk Chung Po	Non-Executive Chairman	Member	Member	Member
Louis Mak Fuk Sang	Executive Director	–	–	–
Vincent Lin Ming Sheng (Resigned on 15/2/2005)	Non-Executive Director	–	–	–
Dennis Li Kin Keung	Executive Director	–	–	–
Francis Chin Yuk-Lun	Independent Director	Member	Chairman	Chairman
Cheong Chow Yin	Independent Director	Chairman	Member	Member

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of five Directors includes two Independent and one 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 and 11 of the Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

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 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.

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 financial results. Additional meetings may be held to address significant transactions or issues, where necessary. The Company's By-laws permit 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 is 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	2
Cheong Chow Yin	2

Principle 3: 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 Chung Po and the CEO is Mr. Louis Mak Fuk Sang. 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.

Principle 5: Board Performance

Nominating Committee ("NC")

The NC comprises Mr. Cheong Chow Yin, Professor Francis Chin Yuk-Lun and Mr. Terence Luk Chung Po, and is chaired by Professor Francis Chin Yuk-Lun.

CORPORATE GOVERNANCE REPORT (CONT'D)

The NC held one meeting during the financial year under review with full attendance.

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 regard to 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. Louis Mak Fuk Sang be nominated for re-appointment at the forthcoming AGM.

In making their recommendations, the NC had considered Mr. Mak's overall contribution and performance.

Principle 6: 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 their duties, the cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE REPORT (CONT'D)

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

Remuneration Committee ("RC")

The RC comprises Mr. Cheong Chow Yin, Mr. Terence Luk Chung Po and Professor Francis Chin Yuk-Lun and is chaired by Professor Francis Chin Yuk-Lun.

The Remuneration Committee held one meeting during the financial year under review with full attendance.

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 remunerations paid to the Directors and Executive Officers for services rendered during the financial year ended 31 March 2005 are as follows:

Remuneration bands	Salary %	Performance bonus %	Directors' fees %	Others %	Total %
Directors					
S\$250,000 - S\$500,000					
Louis Mak Fuk Sang	33.94	43.04	-	23.02	100
Dennis Li Kin Keung	99.01	-	-	0.99	100
Below S\$250,000					
Terence Luk Chung Po	-	-	-	-	-
Vincent Lin Ming Sheng	-	-	-	-	-
Francis Chin Yuk-Lun	-	-	100	-	100
Cheong Chow Yin	-	-	100	-	100
Executive Officers					
Below S\$250,000					
Paul Gao Xiangnong	86.47	-	-	13.53	100
Jimmy Sit	95.50	-	-	4.50	100

CORPORATE GOVERNANCE REPORT (CONT'D)

Apart from Mr. Terence Luk Chung Po and Mr. Vincent Lin Ming Sheng, who do not receive any compensation, the remuneration of the Non-Executive Directors is in the form of a fixed fee. 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 consists 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.

Principle 11: Audit Committee

Principle 12: Internal Controls

Audit Committee ("AC")

Our AC comprises Mr. Cheong Chow Yin, Mr. Terence Luk Chung Po and Professor Francis Chin Yuk-Lun 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 met six times to discuss and review the audit plan, the audit report and evaluate the system of internal controls. The attendance of the AC members at these meetings is set out as follows:-

Name of Director	Number of meetings attended
Cheong Chow Yin	6
Terence Luk Chung Po	6
Francis Chin Yuk-Lun	6

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.

Principle 13: Internal Audit

Once an internal audit function is established, the AC will review the internal audit program, the scope and results of internal audit procedures and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

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 recognises 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.

Principle 10: 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.

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via SGXNET announcements and press releases. Such information is also available on the Company's website www.multivision.com.hk. The Company ensures that price-sensitive information is publicly released, and announced on an immediate basis where required under the Listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

CORPORATE GOVERNANCE REPORT (CONT'D)

All shareholders of the Company will receive the Annual Report and the notice of the Annual General Meeting (AGM). The notice is also advertised in a local newspaper and made available on SGXNET. 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 allow a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are invited to attend general meetings 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, or any Director or controlling shareholders were interested subsisting at the end of the financial year ended 31 March 2005.

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 Chung Po, Mr. Cheong Chow Yin and Professor Francis Chin Yuk-Lun.

An aggregate of 50,540,000 share options were granted during the financial year, of which 11,500,000 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"). However, during the year, 4,040,000 options lapsed. Further information on the Scheme, please refer to the Report of the Directors and Financial Statements.

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

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

Interested Person Transactions

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in 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 S\$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 S\$100,000)
UniVision Engineering Limited	Subcontracting fee charges (HK\$487,568)	N.A

Best Practices Guide

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

DIRECTORS' REPORT

We have pleasure in submitting this annual report together with the audited financial statements for the financial year ended 31 March 2005.

Directors

The directors in office during the financial year were as follows:

Terence Luk Chung Po	Cheong Chow Yin
Louis Mak Fuk Sang	Professor Francis Chin Yuk-Lun
Dennis Li Kin Keung	Vincent Lin Ming Sheng (Resigned on 15 February 2005)

The Directors of the Company, including the Non-Executive Directors, are subjected 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, warrants and share options in the Company and 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 2004	At 31 March 2005	At 1 April 2004	At 31 March 2005	At 21 April 2005
The Company					
<u>Ordinary shares of HK\$0.07 each fully paid</u>					
Terence Luk Chung Po	2,725,600	125,600	59,794,200	59,794,200	59,794,200
Louis Mak Fuk Sang	4,225,600	4,225,600	41,709,200	41,709,200	41,709,200
Dennis Li Kin Keung	4,657,600	4,657,600	-	-	-

	Exercise price	Exercise period	Holdings in the name of the director		
			At 1 April 2004	At 31 March 2005	At 21 April 2005
<u>Options to subscribe for ordinary shares of HK\$0.07 each</u>					
Dennis Li Kin Keung	S\$0.21	2 April 2005-1 April 2013	3,000,000	3,000,000	3,000,000
	S\$0.19	27 May 2005-26 May 2014	-	3,000,000	3,000,000
Cheong Chow Yin	S\$0.21	2 April 2005-1 April 2013	500,000	500,000	500,000
	S\$0.19	27 May 2005-26 May 2014	-	500,000	500,000
Professor Francis Chin Yuk-Lun	S\$0.21	2 April 2005-1 April 2013	500,000	500,000	500,000
	S\$0.19	27 May 2005-26 May 2014	-	500,000	500,000
Louis Mak Fuk Sang	S\$0.19	27 May 2005-26 May 2014	-	3,500,000	3,500,000

DIRECTORS' REPORT (CONT'D)

Directors' Interests (cont'd)

	Holdings in the name of the director			Other holdings in which the director is deemed to have an interest		
	At 1 April 2004	At 31 March 2005	At 21 April 2005	At 1 April 2004	At 31 March 2005	At 21 April 2005
The Company						
<u>Warrants to subscribe for ordinary shares of HK\$0.07 each</u>						
Dennis Li Kin Keung	-	-	13,144,350	-	-	-
Louis Mak Fuk Sang	-	-	1,056,400	-	-	8,070,300

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

Each warrant carries the right to subscribe for one new ordinary share of HK\$0.07 each in the share capital of the Company at an exercise price of S\$0.15 each. The warrants may be exercised at any time from 18 April 2005 to 17 April 2008.

Except as disclosed above and under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement 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 25 to the accompanying financial statements, no Director has received or become 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 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:

Terence Luk Chung Po
Cheong Chow Yin
Professor Francis Chin Yuk-Lun

DIRECTORS' REPORT (CONT'D)

Share Options (cont'd)

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 of the Company 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 price set at a discount to the market price at the date of 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 financial 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\$0.19	27,000,000	73	27 May 2005-26 May 2014

Issue Of Shares Under Option

There were no issues of shares under the Scheme during the financial year ended 31 March 2005.

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 were as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 April 2004	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding at 31 March 2005	Number of option holders at 31 March 2005	Exercise period
1 April 2003	S\$0.21	14,000,000	-	-	(1,440,000)	12,560,000	32	2 April 2005-1 April 2013
6 October 2003	S\$0.32	9,540,000	-	-	(1,600,000)	7,940,000	15	7 October 2004-6 October 2013
26 May 2004	S\$0.19	-	27,000,000	-	(1,000,000)	26,000,000	61	27 May 2005-26 May 2014
		23,540,000	27,000,000	-	(4,040,000)	46,500,000		

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 2005	Aggregate options granted since commencement of the Scheme to 31 March 2005	Aggregate options exercised/lapsed since commencement of the Scheme to 31 March 2005	Aggregate options outstanding as at 31 March 2005
Directors of the Company				
Executive directors				
Louis Mak Fuk Sang	3,500,000	3,500,000	-	3,500,000
Dennis Li Kin Keung	3,000,000	6,000,000	-	6,000,000
	6,500,000	9,500,000		9,500,000
Non-executive directors				
Cheong Chow Yin	500,000	1,000,000	-	1,000,000
Professor Francis Chin Yuk-Lun	500,000	1,000,000	-	1,000,000
	1,000,000	2,000,000		2,000,000
Former director				
Vincent Lin Ming Sheng	1,000,000	2,000,000	(2,000,000)	-
Group executive				
Paul Gao Xiangnong	1,000,000	2,680,000	-	2,680,000
Employees	17,500,000	34,360,000	(2,040,000)	32,320,000
	27,000,000	50,540,000	(4,040,000)	46,500,000

DIRECTORS' REPORT (CONT'D)

Unissued Shares Under The Scheme (cont'd)

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

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

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Warrants

On 18 April 2005, the Company issued 104,431,525 warrants to subscribe for 104,431,525 new ordinary shares of HK\$0.07 each in the share capital of the Company. The warrants were issued at a price of S\$0.02 per warrant and may be exercised at any time from the date of issue of the warrants up to 17 April 2008. Each warrant entitles the holder to subscribe for one new ordinary share of HK\$0.07 each in the share capital of the Company at an exercise price of S\$0.15 per share. The warrants granted by the Company do not entitle the holder of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

Full terms and conditions pertaining to the warrants are set out in detail in the Offer Information Statement dated 24 March 2005 which is available for inspection at the office of the warrant agent.

Warrants Granted After Year End

On 18 April 2005, the following warrants were granted in accordance with the terms of the Scheme:

Undertaken shareholders	Exercise price	Undertaken warrants	Exercise period
Dennis Li Kin Keung	S\$0.15	16,144,350	18 April 2005-17 April 2008
Louis Mak Fuk Sang	S\$0.15	1,056,400	18 April 2005-17 April 2008
TriVision Limited	S\$0.15	10,427,300	18 April 2005-17 April 2008

Audit Committee

The Audit Committee 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)

DIRECTORS' REPORT (CONT'D)

Audit Committee (cont'd)

The Audit Committee held six meetings since the last directors' report. In performing its function, the Audit Committee met with the management and the Company's external auditors to discuss and review the following:

- 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 their submission to the Board of Directors for adoption; and
- vi. the independence of the external auditors.

The Audit Committee performed the functions specified in the Listing Manual which included a review of the financial statements of the Group and the Company for the financial year ended 31 March 2005 and the auditors' report thereon.

The Audit Committee 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 Audit Committee 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 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 Annual General Meeting of the Company.

On behalf of the Board of Directors

Louis Mak Fuk Sang
Executive Director

Dennis Li Kin Keung
Executive Director

Hong Kong, 27 June 2005

STATEMENT BY DIRECTORS

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

- (i) the financial statements set out on pages 38 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 2005 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, 27 June 2005

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 38 to 74, comprising the consolidated balance sheet as at 31 March 2005 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 2005 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, 27 June 2005

INCOME STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

	Note	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	5	168,259	131,865	-	-
Cost of sales		(75,328)	(57,223)	-	-
Gross profit		92,931	74,642	-	-
Other net income	6	788	140	-	-
Distribution expenses		(19,490)	(13,526)	-	-
Administrative expenses		(21,864)	(15,766)	(833)	(210)
Research and development costs		(13,773)	(12,474)	-	-
Profit/(loss) from operations		38,592	33,016	(833)	(210)
Finance costs	6	(91)	(15)	-	-
Share of losses of associates		(3,678)	(736)	-	-
Profit/(loss) from ordinary activities before taxation	6	34,823	32,265	(833)	(210)
Income tax	7	2,314	5,348	-	-
Net profit/(loss) for the year		37,137	37,613	(833)	(210)
Attributable to:					
Shareholders		38,216	37,613	-	-
Minority interests		(1,079)	-	-	-
		37,137	37,613	-	-
Basic earnings per share	8	9.15 cents	9.46 cents	N/A	N/A
Diluted earnings per share	8	N/A	9.37 cents	N/A	N/A

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

	Note	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current assets					
Interests in subsidiaries	9	-	-	19,462	19,462
Interests in associates	10	91,036	44,264	-	-
Property, plant and equipment	11	3,687	3,481	-	-
Intangible assets	12	59,806	70,526	-	-
Deferred tax assets	13	2,904	590	-	-
Loan receivable	14	15,000	-	-	-
		172,433	118,861	19,462	19,462
Current assets					
Inventories	15	25,369	12,694	-	-
Trade receivables	16	75,096	50,913	-	-
Prepayments, deposits and other receivables		4,668	2,171	1,049	11
Amount due from a subsidiary	9	-	-	169,620	151,991
Cash and cash equivalents	17	70,042	79,314	-	-
		175,175	145,092	170,669	152,002
Current liabilities					
Trade and other payables	18	22,647	12,309	83	83
Provision for warranty costs	19	1,650	1,968	-	-
Amounts due to directors	20	700	650	-	-
Bank loans, secured	21	35,100	-	19,500	-
		60,097	14,927	19,583	83
Net current assets		115,078	130,165	151,086	151,919
Minority interests		(240)	-	-	-
Net assets		287,271	249,026	170,548	171,381
Shareholders' equity					
Share capital	23	29,241	29,241	29,241	29,241
Reserves	24	258,030	219,785	141,307	142,140
		287,271	249,026	170,548	171,381

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

	Note	Group	
		2005 HK\$'000	2004 HK\$'000
Operating activities			
Profit from ordinary activities before taxation		34,823	32,265
Adjustment for:			
Interest expenses		91	15
Interest income		(816)	(253)
Depreciation of property, plant and equipment		2,039	1,693
Amortisation of intangible assets		19,866	15,624
Impairment of intangible assets		600	2,450
Share of losses of associates		1,178	736
Impairment of goodwill in respect of interests in associates		2,500	-
Gain on disposal of property, plant and equipment		(36)	-
Operating profit before changes in working capital		60,245	52,530
Changes in working capital			
Increase in inventories		(12,675)	(8,201)
Increase in trade receivables		(24,183)	(25,243)
(Increase)/decrease in prepayments, deposits and other receivables		(2,498)	2
Increase in trade and other payables		10,337	1,351
(Decrease)/increase in provision for warranty costs		(318)	1,968
Increase/(decrease) in amounts due to directors		50	(100)
Cash generated from operations		30,958	22,307
Interest paid		(91)	(15)
Net cash generated from operating activities		30,867	22,292
Investing activities			
Interest received		816	253
Payment for the purchase of property, plant and equipment		(2,399)	(3,700)
Payment for development costs		(9,616)	(8,075)
Technology transfer fees paid		(130)	(29,410)
Proceeds from sales of property, plant and equipment		200	-
Increase in deposits with financial institutions		(33,948)	-
Payment for the purchase of an associate		(50,450)	(45,000)
Loan receivable		(15,000)	-
Net cash used in investing activities		(110,527)	(85,932)
Financing activities			
Repayment of principal under hire purchase contract		-	(155)
Issue of shares		-	97,667
Share issue expenses		-	(4,295)
Proceeds from new bank loans		35,100	-
Capital injection from minority shareholders		1,305	-
Net cash generated from financing activities		36,405	93,217
Net (decrease)/increase in cash and cash equivalents		(43,255)	29,577
Cash and cash equivalents at beginning of the year		79,314	49,667
Effect of foreign exchange rates changes		35	70
Cash and cash equivalents at end of the year	17	36,094	79,314

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

	2005 HK\$'000	2004 HK\$'000
Shareholders' equity at 1 April	249,026	117,971
Exchange difference on translation of the financial statements of overseas subsidiaries	29	70
Net gains not recognised in the income statement	29	70
Net profit for the year attributable to shareholders	38,216	37,613
Movement in shareholders' equity arising from capital transactions with shareholders:		
Issue of shares	-	4,872
Net share premium arising from issue of shares	-	88,500
	-	93,372
Shareholders' equity at 31 March	287,271	249,026

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (*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 9 to the financial statements. The Company's 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 27 June 2005.

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

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 include all applicable 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, and 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 years.

(c) **Basis of consolidation**

(i) **Subsidiaries**

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.

(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 interests in associates and are eliminated against the interests in associates. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(d) **Goodwill (cont' d)**

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (note 2(n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of interests in associates.

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 translation**

Foreign currency transactions are translated to Hong Kong dollars at the exchange rates 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 to be an integral part of the Group'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 the exchange rates ruling at the balance sheet date. The revenues and expenses of foreign entities are translated into Hong Kong dollars at rates approximating the 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 has 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(g) **Property, plant and equipment (cont'd)**

(iv) **Depreciation**

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

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

(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 an 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 (note 2(n)). 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(k) **Inventories (cont'd)**

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.

(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 at bank and in hand, demand deposits with banks and other financial institutions and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(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 goodwill, assets that have an indefinite useful life and intangible assets, 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.

Impairment losses, recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

(i) **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its 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 2005 (*Expressed in Hong Kong dollars*)

2 Significant accounting policies (cont'd)

(q) **Warranty costs**

A provision for warranty costs is recognised when products or services are sold and where the sales contracts include warranty terms. 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(s) **Income tax (cont'd)**

(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.

(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 or 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 estimate the total contract costs for the contract.

When the outcome of a sales or 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

2 Significant accounting policies (cont'd)

(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. Lease incentives received are recognised as an integral part of the total lease expenses.

(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.

(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 Changes in accounting policies

With effect from 1 April 2004, in order to comply with International Financial Reporting Standard 3 ("IFRS 3") Business Combinations, the Group adopted a new policy for goodwill as set out in note 2(d). The adoption of IFRS 3 also requires the adoption of revised International Accounting Standard 36 ("IAS 36") Impairment of Assets and revised International Accounting Standard 38 ("IAS 38") Intangible Assets.

IFRS 3 requires goodwill arising from a business combination to be measured at cost less accumulated impairment losses. Goodwill shall no longer be amortised, instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The effect of the adoption of the above standards has resulted in an increase in the net profit attributable to shareholders for the year in respect of the amortisation which would have been charged to the income statement under the previous accounting policy for goodwill of HK\$2,489,000. However, impairment of HK\$2,500,000 has been charged to the income statement during the year in accordance with the new accounting policy for goodwill. These new accounting policies have been adopted on a prospective basis and comparatives have not been restated.

4 Recently issued financial reporting standards

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Financial Reporting Standards and International Accounting Standards ("new IFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

4 Recently issued financial reporting standards (cont'd)

The Group has not early adopted these new IFRSs in its financial statements for the year ended 31 March 2005. The Group intends to apply these new IFRSs in the preparation of its consolidated financial statements for the year ending 31 March 2006. The Group is in the process of making an assessment of the impact of these new IFRSs and has so far concluded that the adoption of IFRS 2 "Share-based Payment" would have had a financial effect of increasing staff costs by approximately HK\$2,700,000 with a corresponding adjustment in equity for the year ended 31 March 2005 as the Group has granted equity-settled share options in accordance with the employee share option scheme during the year ended 31 March 2005 (note 22).

The Group is continuing with its assessment of the impact of the other new IFRSs and other significant changes may be identified as a result.

5 Turnover and segment reporting

Turnover represents invoiced value of sale less returns and discounts given, contract revenue and technical support income analysed as follows:

	2005 HK\$'000	2004 HK\$'000
Sale of goods	110,134	89,846
Contract revenue	54,779	39,135
Technical support income	3,346	2,884
	<u>168,259</u>	<u>131,865</u>

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 location 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, profit/(loss) before taxation, total assets, capital expenditure, depreciation and non-cash expenses is as follows:

(a) Turnover

	2005 HK\$'000	2004 HK\$'000
Macau	55,355	30,713
The People's Republic of China ("PRC")	54,413	59,220
North America	40,158	30,218
Hong Kong	6,964	7,775
Australia	2,935	473
Europe	2,542	1,052
Others	5,892	2,414
	<u>168,259</u>	<u>131,865</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

5 Turnover and segment reporting (cont'd)

b) Profit/(loss) before taxation

	2005 HK\$'000	2004 HK\$'000
Macau	5,942	1,697
The PRC	15,483	14,869
North America	15,598	14,902
Hong Kong	1,748	2,401
Australia	(2,352)	(2,078)
Europe	(721)	96
Others	(875)	378
	34,823	32,265

(c) Total assets

	2005 HK\$'000	2004 HK\$'000
Macau	40,586	27,278
The PRC	184,309	105,123
North America	19,652	7,085
Hong Kong	96,227	123,097
Australia	3,112	11
Europe	1,400	353
Others	2,322	1,006
	347,608	263,953

(d) Capital expenditure ¹

	2005 HK\$'000	2004 HK\$'000
Macau	457	231
The PRC	82	1,696
North America	252	71
Hong Kong	10,220	38,968
Australia	805	-
Europe	320	191
Others	9	28
	12,145	41,185

¹ Capital expenditure comprises additions to property, plant and equipment, deferred development costs and technology transfer fees paid.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

5 Turnover and segment reporting (cont'd)

(e) Depreciation

	2005 HK\$'000	2004 HK\$'000
Macau	113	51
The PRC	480	415
North America	97	15
Hong Kong	1,005	1,159
Australia	194	-
Europe	140	46
Others	10	7
	2,039	1,693

(f) Non-cash expenses ¹

	2005 HK\$'000	2004 HK\$'000
Macau	115	-
The PRC	645	790
North America	57	-
Hong Kong	80	-
Australia	11	2,262
Europe	28	-
Others	13	-
	949	3,052

¹ Non-cash expenses represent allowances for doubtful receivables.

6 Profit/(loss) from ordinary activities before taxation

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

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
(a) Other net income				
Gain on disposal of property, plant and equipment	(36)	-	-	-
Exchange loss	92	215	-	-
Interest income	(816)	(253)	-	-
Sundry income	(28)	(102)	-	-
	(788)	(140)	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

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

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

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
(b) Staff costs				
Salaries and allowances	23,050	14,804	-	-
Contributions to defined contribution retirement plans	939	528	-	-
Other welfare and benefits	793	63	-	-
	<u>24,782</u>	<u>15,395</u>	-	-
Less: amounts capitalised as deferred development costs	(5,632)	(4,560)	-	-
	<u>19,150</u>	<u>10,835</u>	-	-
Average number of employees during the year	104	68	-	-
Number of employees as at the year end	<u>115</u>	<u>95</u>	-	-
(c) Other items				
Cost of inventories ¹	75,328	57,223	-	-
Depreciation ²	2,039	1,693	-	-
Operating lease charges ²	3,310	1,633	-	-
Amortisation of intangible assets ¹	19,866	15,624	-	-
Impairment of intangible assets	600	2,450	-	-
Impairment of goodwill in respect of interests in associates	2,500	-	-	-
Amortisation of positive goodwill included in share of losses of an associate	-	622	-	-
Provision for warranty costs ¹	730	1,968	-	-
Remuneration of directors of the Company				
- Fees	382	210	382	210
- Other emoluments	2,839	2,788	-	-
Remuneration of other directors				
- Other emoluments	681	336	-	-
Allowance for doubtful receivables	949	3,052	-	-
Auditors' remuneration				
- Auditors of the Company				
- audit services	1,053	695	-	-
- non-audit services	187	25	-	-
	<u>1,053</u>	<u>695</u>	-	-
	<u>187</u>	<u>25</u>	-	-
(d) Finance costs				
Interest expenses:				
- hire purchase contract	-	15	-	-
- bank loan interest	91	-	-	-
	<u>91</u>	<u>15</u>	-	-

¹ Cost of inventories includes provision for warranty costs totalling HK\$730,000 (2004:HK\$1,968,000) and amortisation of intangible assets relating to perpetual licence fees paid for certain video microprocessor chips totalling HK\$6,692,000 (2004:HK\$5,600,000), which is also included in the total amount of amortisation of intangible assets disclosed separately above.

² Operating lease charges stated above for the year ended 31 March 2005 are stated net of amounts totalling HK\$341,000 (2004: HK\$583,000) which were capitalised as development costs during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

7 Income tax

(a) Taxation in the consolidated income statements represents:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	(2,314)	(5,794)
Effect of increase in tax rate on deferred tax balances at 1 January	-	446
	<u>(2,314)</u>	<u>(5,348)</u>
	(2,314)	(5,348)

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

	Group			
	2005 HK\$'000	%	2004 HK\$'000	%
Profit before tax	<u>34,823</u>		<u>32,265</u>	
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	5,156	14.8	5,887	18.2
Tax effect of non-deductible expenses	3,970	11.4	1,306	4.0
Tax effect of non-taxable revenue	(11,567)	(33.2)	(13,005)	(40.3)
Tax effect of unused tax losses not recognised	127	0.4	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	<u>(2,314)</u>	(6.6)	<u>(5,348)</u>	(16.6)

8 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\$38,216,000 (2004: HK\$37,613,000) and the weighted average of 417,726,100 (2004: 397,568,723) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

8 Earnings per share (cont'd)

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the year ended 31 March 2005 and therefore diluted earnings per share is not presented for the current year. The calculation of diluted earnings per share for the year ended 31 March 2004 was 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 in relation to the company's share option scheme.

(c) Reconciliations

	2005 <i>Number of shares</i>	2004 <i>Number of shares</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	N/A	397,568,723
Deemed issue of ordinary shares for no consideration	N/A	<u>3,745,378</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	N/A	<u>401,314,101</u>

9 Interests in subsidiaries

	Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	19,462	19,462
Amount due from a subsidiary	169,620	151,991
	<u>189,082</u>	<u>171,453</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

9 Interests in subsidiaries (cont'd)

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

Particulars of 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 ⁷	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 ²	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 ²	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%
MVIS (Macao Commercial Offshore) Limited ³	Sale and marketing of digital video surveillance products and solutions	20 May 2004 Macao	MOP\$1,000,000 (1 quota of MOP\$1,000,000)	MOP\$1,000,000	100%	-	100%
MultiVision Intelligent Surveillance (Macao) Limited ⁴	Provision of technical support service	30 January 2003 Macao	MOP\$500,000	MOP\$500,000	100%	-	100%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

9 Interests in subsidiaries (cont'd)

Particulars of subsidiaries as at the balance sheet date are set out below: (cont'd)

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 Intelligent Surveillance Technology (Zhuhai) Limited ⁵	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 ⁶	Sales and marketing of digital video surveillance products and solutions	5 January 2004 United Kingdom	GBP10,000 (10,000 ordinary shares of GBP 1 each)	-	100%	-	100%
Ace Legend Sky Limited ⁶	Investment holding	3 March 2004 British Virgin Islands	US\$50,000 (50,000 ordinary shares of US\$1 each)	US\$1	100%	-	100%
MultiVision Intelligent Surveillance Australia Pty Limited ⁷	Sales and marketing of digital video surveillance products and solutions	1 March 2004 Australia	AUS\$100 (100 ordinary shares of AUS\$1 each)	AUS\$100	55%	-	55%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

9 Interests in subsidiaries (cont'd)

- ¹ *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.*
- ² *The statutory financial statements of MultiVision IP Management Limited and MultiVision Intelligent Surveillance (Hong Kong) Limited for the financial year ended 31 March 2005 have been audited by KPMG, Hong Kong, a firm of Certified Public Accountants under Section 28A of the Professional Accountants Ordinance, Chapter 50.*
- ³ *The statutory financial statements of MVIS (Macao Commercial Offshore) Limited for the financial year ended 31 March 2005 have been audited by KPMG, Macau.*
- ⁴ *The financial statements of the MultiVision Intelligent Surveillance (Macau) Limited for the financial year ended 31 March 2005 are not required to be audited under the current applicable legislation in Macau.*
- ⁵ *The statutory financial statements of the company for the financial year ended 31 March 2005 have been audited by Zhuhai Huaqi, PRC.*
- ⁶ *The financial statements of the company for the financial year ended 31 March 2005 have not been audited.*
- ⁷ *The statutory financial statements of the company for the financial year ended 31 March 2005 have been audited by Pears & Co., Australia.*

The net assets of the subsidiaries referred to in footnotes 1, 4, 5, 6 and 7 above represent less than 16% and 3% of the total net assets and total turnover of the Group as at 31 March 2005 respectively.

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 and remained unpaid as at 31 March 2005.

On 5 January 2004, the Group incorporated a subsidiary, MultiVision Intelligent Surveillance Australia Pty Limited in Australia, in which it has a 55% shareholding, and in which it has invested AUS\$275,000, which was satisfied in cash on 22 April 2004.

On 20 May 2004, the Group incorporated a subsidiary, MVIS (Macao Commercial Offshore) Limited in Macau, with an issued and paid-up capital of MOP\$1,000,000 which was fully paid up on 20 July 2004.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

10 Interests in associates

	Group	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets	23,145	20,000
Goodwill	70,391	24,264
Impairment loss	(2,500)	-
	<u>91,036</u>	<u>44,264</u>

The movements in goodwill are as follows:

	Group
	HK\$'000
Cost	
At 1 April 2004	24,886
Additions	46,127
At 31 March 2005	<u>71,013</u>
Accumulated amortisation and impairment	
At 1 April 2003	622
Charge for the year	-
Impairment	2,500
At 31 March 2004	<u>3,122</u>
Carrying amount	
As at 31 March 2005	<u>67,891</u>
As at 31 March 2004	<u>24,264</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

10 Interests in associates (cont'd)

Details of the associates are as follows:

Name of associate	Form of business structure	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
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%
China-Vision Intelligent Card Reader Co., Limited	Incorporated	Development and manufacture of radio frequency identification reading and writing devices	8 February 2002 The PRC	Registered capital of RMB 50,000,000	RMB 20,000,000	24%	-	24%
UniVision Intelligent Surveillance Limited	Incorporated	Investment holding	23 November 2001 Hong Kong	HK\$10,000 (10,000 ordinary shares of HK\$1 each)	HK\$10,000	50%	-	50%
Buo Xun Intelligent Surveillance Technology (Xinjiang) Limited ¹	Incorporated	Development and sale of digital video surveillance products and solutions	3 September 2004 The PRC	Registered capital of HK\$ 20,000,000	HK\$ 3,000,000	45%	-	45%
WiVision Network Digital Video Technology (Beijing) Co. Limited ¹	Incorporated	Development and sale of digital video surveillance products and solutions	28 May 2004 The PRC	Registered capital of HK\$ 15,000,000	HK\$ 5,000,000	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.

On 8 March 2005, the Group acquired a 24% and a 50% interest in China-Vision Intelligent Card Reader Co., Limited and UniVision Intelligent Surveillance Limited respectively for an aggregate amount of HK\$50,000,000, satisfied in cash.

¹ These companies are indirectly held through Sino Gear Force Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

11 Property, plant and equipment

Group

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2004	1,496	1,088	2,762	941	6,287
Additions	453	644	1,302	-	2,399
Disposals	(166)	(15)	(28)	-	(209)
Exchange difference	11	10	13	-	34
At 31 March 2005	1,794	1,727	4,049	941	8,511
Accumulated depreciation					
At 1 April 2004	538	611	1,130	527	2,806
Charge for the year	358	303	1,177	201	2,039
Written back on disposals	(33)	(4)	(8)	-	(45)
Exchange difference	3	5	16	-	24
At 31 March 2005	866	915	2,315	728	4,824
Depreciation charge for 2004	299	283	829	282	1,693
Net book value					
As at 31 March 2005	928	812	1,734	213	3,687
As at 31 March 2004	958	477	1,632	414	3,481

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net book value of asset acquired under a hire purchase contract	-	41

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

12 Intangible assets (cont'd)

(b) Technology transfer fees paid

	Group	
	2005 HK\$'000	2004 HK\$'000
Cost		
At 1 April	71,010	41,600
Additions	130	29,410
At 31 March	<u>71,140</u>	<u>71,010</u>
Accumulated amortisation and impairment		
At 1 April	16,970	4,120
Charge for the year	14,203	10,650
Impairment	600	2,200
At 31 March	<u>31,773</u>	<u>16,970</u>
Carrying amount		
As at 31 March	<u>39,367</u>	<u>54,040</u>

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.

During the year ended 31 March 2005, the Group entered into one agreement with an independent vendor for the transfer of technology in respect of certain digital video applications to the Group at an aggregate consideration of HK\$130,000.

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 2005, 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 deferred development costs and technology transfer fees paid were written down by HK\$Nil and HK\$600,000 respectively (2004: HK\$250,000 and HK\$2,200,000 respectively). The impairment loss is included in "Research and development costs" in the income statement. The estimates of recoverable amount were determined using discounted net cash flows expected to be generated by the related assets.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

13 Deferred tax

Deferred tax assets recognised

Group

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

	Difference between depreciation allowances and the related depreciation <i>HK\$'000</i>	Deductible allowances in excess of amortisation of intangible assets <i>HK\$'000</i>	General provisions <i>HK\$'000</i>	Future benefit of tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	(79)	(8,178)	-	3,499	(4,758)
Credited/(charged) to the consolidated income statement	146	5,657	313	(768)	5,348
At 31 March 2004	67	(2,521)	313	2,731	590
At 1 April 2004	67	(2,521)	313	2,731	590
(Charged)/credited to the consolidated income statement	(147)	2,729	106	(374)	2,314
At 31 March 2005	(80)	208	419	2,357	2,904

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net deferred tax assets recognised in the consolidated balance sheet	2,904	590

There were no material unprovided deferred tax assets or liabilities as at 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

14 Loan receivable

The loan is secured, interest-bearing at 3% per annum and repayable on 30 September 2006.

15 Inventories

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	6,257	6,836
Work in progress	17,076	1,682
Finished goods	2,036	4,176
	<hr/>	<hr/>
	25,369	12,694

Included in finished goods are inventories with a carrying value of HK\$59,000 (2004:HK\$59,000), stated net of a general provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

16 Trade receivables

	Group	
	2005 HK\$'000	2004 HK\$'000
Amounts due from independent customers	79,881	49,909
Allowance for doubtful receivables	(4,785)	(3,836)
	<hr/>	<hr/>
	75,096	46,073
Amounts due from affiliated companies	-	4,840
	<hr/>	<hr/>
	75,096	50,913

The amounts due from affiliated companies at 31 March 2004 were 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\$1,635,000 (2004: HK\$147,000) 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 2005 (Expressed in Hong Kong dollars)

17 Cash and cash equivalents

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank deposits	33,948	-
Cash at bank and in hand	36,094	79,314
	<hr/>	<hr/>
Cash and cash equivalents in the balance sheet	70,042	79,314
Less: Deposits with financial institutions with original maturity of more than three months	(33,948)	-
	<hr/>	<hr/>
Cash and cash equivalents in consolidated statements of cashflows	36,094	79,314

18 Trade and other payables

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade payables	10,210	4,117	-	-
Other payables and accruals	12,437	7,332	83	83
Amount due to an affiliated company	-	860	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	22,647	12,309	83	83

The amount due to an affiliated company at 31 March 2004 was unsecured, interest free and repayable on demand.

19 Provision for warranty costs

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1 April	1,968	-
Provision utilised during the year	(1,048)	-
Provision made during the year	730	1,968
	<hr/>	<hr/>
At 31 March	1,650	1,968

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

19 Provision for warranty costs (cont'd)

Under the terms of the Group's sales agreements, the Group is required to rectify any product defects arising within one year of the date of sale. Provision is, therefore, made for the best estimate of the expected costs of providing such services 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. The Group expects that the provision at the balance sheet date will be utilised over the next twenty four months.

20 Amounts due to directors

The amounts due to directors are unsecured, interest free and expected to be settled within one year of the balance sheet date.

21 Bank loans, secured

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Secured bank loans	35,100	-	19,500	-

The Group and the Company obtained revolving bank loan facilities during the year. Interest charged on the loans ranges from 4.8% to 5.5% per annum. The terms of the facilities range from one to six months. The bank loans are secured by registered debentures which create floating charges over all the assets of a subsidiary and corporate guarantees issued by certain Group companies.

22 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 Group's compensation plans, 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 (Chairman), 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

22 Equity compensation benefits (cont'd)

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 the share.

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 per cent. (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 per cent. (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*

	2005 Number	2004 Number
At 1 April	23,540,000	-
Issued during the year	27,000,000	23,540,000
Options lapsed during the year	(4,040,000)	-
At 31 March	46,500,000	23,540,000

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

Date granted	Exercise period	Exercise price	2005 Number	2004 Number
1 April 2003	2/4/2005-1/4/2013	S\$0.21	12,560,000	14,000,000
6 October 2003	7/10/2004-6/10/2013	S\$0.32	7,940,000	9,540,000
26 May 2004	27/5/2005-26/5/2014	S\$0.19	26,000,000	-
			46,500,000	23,540,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

22 Equity compensation benefits (cont'd)

(c) Details of share options granted during the year, all of which were granted at nominal consideration

Exercise period	Exercise price	2005 Number	2004 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
27/5/2005-26/5/2014	S\$0.19	27,000,000	-
		27,000,000	23,540,000

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

	2005 Number of share options granted	2004 Number of share options granted
Directors of the Company		
Dennis Li Kin Keung	6,000,000	3,000,000
Vincent Lin Ming Sheng	-	1,000,000
Cheong Chow Yin	1,000,000	500,000
Francis Chin Yuk-Lun	1,000,000	500,000
Louis Mak Fuk Sang	3,500,000	-
	11,500,000	5,000,000
Senior management		
Paul Gao Xiangnong	2,680,000	1,680,000
	2,680,000	1,680,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

23 Share capital

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

	2005		2004	
	Number of shares	Par value HK\$'000	Number of shares	Par value HK\$'000
Authorised:				
Ordinary shares of HK\$0.07 each at 1 April and 31 March	1,300,000,000	91,000	1,300,000,000	91,000
Issued and fully paid:				
Balance at 1 April	417,726,100	29,241	348,126,100	24,369
New shares issued for public subscription ¹	-	-	69,600,000	4,872
Balance at 31 March	417,726,100	29,241	417,726,100	29,241

¹ 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 2005 (Expressed in Hong Kong dollars)

24 Reserves

Group

	Contributed surplus ¹ HK\$'000	Share premium HK\$'000	Exchange reserve ² HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 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	-	-	70	-	70
Net profit for the year	-	-	-	37,613	37,613
Balance at 31 March 2004 and at 1 April 2004	9,210	142,500	70	68,005	219,785
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	29	-	29
Net profit for the year	-	-	-	38,216	38,216
Balance at 31 March 2005	9,210	142,500	99	106,221	258,030

¹ The contributed surplus of the Group arose as a result of the Restructuring Exercise in 2003 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 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.

² 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 operations of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

24 Reserves (cont'd)

Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 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 and at 1 April 2004	142,500	(360)	142,140
Net loss for the year	-	(833)	(833)
Balance at 31 March 2005	142,500	(1,193)	141,307

25 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:

	Group	
	2005 HK\$'000	2004 HK\$'000
(a) Recurring transactions		
Sale of goods ¹	19	3,796
Service fee charges ²	(21)	(951)
Subcontracting fee charges ³	(488)	(371)
Purchases of materials ⁴	(73)	(1,879)
Rental expenses ⁵	(707)	-

¹ 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 provides surveillance systems integration services in Hong Kong, and was approximately 53.33% (2004: 53.33%) and 46.67% (2004: 46.67%) beneficially owned by Mayne Management Limited ("Mayne") and TriVision Limited ("TriVision") respectively until 21 May 2004 when TriVision sold all its interest in UniVision Engineering to Mayne. Mayne has subsequently reduced its shareholding in the Group to less than five per cent., while TriVision remains a substantial shareholder of the Group.

² During the periods presented, 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.

³ During the periods presented, the Group engaged UniVision Engineering to perform installation works for the Group in certain project sales. Such fees charged to the Group by UniVision Engineering were similar to those charged by independent subcontractors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

25 Related party transactions (cont'd)

(a) *Recurring transactions (cont'd)*

⁴ During the periods presented, the Group purchased materials from UniVision Engineering. The prices charged to the Group by UniVision Engineering were similar to those charged by independent suppliers.

⁵ During the periods presented, the Group leased an office from Sentry International Australia Pty, a minority shareholder of a subsidiary. The rental expenses charged to the Group was similar to that charged by independent landlords.

(b) *Non-recurring transaction*

During the year ended 31 March 2005, a short term loan of HK\$10,000,000 (2004: HK\$Nil) was granted to Buo Xun Intelligent Surveillance Technology (Xinjiang) Limited, which is a wholly-owned foreign enterprise of an associate, Sino Gear Force Limited. This loan was unsecured, interest-free and was repaid in full during the year.

26 Financial instruments and concentration of risks

As at 31 March 2005, 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, purchases and subcontracting fees totalling HK\$22,643,000 (2004: HK\$19,756,000) were incurred by the Group.

In addition, for the year ended 31 March 2005, sales made to the largest three distributors namely Elixir Group (Macau) Limited, Pitfield Technologies Limited and Shenzhen Xing Hua Shi Intelligent Surveillance Systems amounted to HK\$55,334,000 (2004: HK\$30,860,000), HK\$39,062,000 (2004: HK\$29,197,000) and HK\$22,323,000 (2004: HK\$17,991,000) respectively which accounted for approximately 33% (2004: 23%), 23% (2004: 22%) and 13% (2004: 14%) 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 may be adversely affected.

(b) *Credit risk*

The carrying amounts of trade receivables and loan receivable represent the Group's maximum exposure to credit risk in relation to its financial assets. As at 31 March 2005, trade receivables due from affiliated companies and loan receivable amounted to HK\$Nil (2004: HK\$4,840,000) and HK\$15,000,000 (2004: HK\$Nil) respectively. Most of the Group's cash and cash equivalents are deposited with banks in Hong Kong and the People's Republic of China. The Group has no other significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

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

(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 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 and bank loans are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

27 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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payable as follows:		
- Within 1 year	1,803	2,714
- After 1 year but within 5 years	1,220	864
	3,023	3,578

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

(b) **Capital commitments**

As at 31 March 2005, the Group has committed to make payments in respect of certain technology development projects. The capital value of payments in relation to these projects amounted to HK\$954,000.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005 (Expressed in Hong Kong dollars)

28 Contingent liabilities

At 31 March 2005, there were contingent liabilities in respect of the following:

- (a) Corporate guarantees given by the Company in respect of a banking facility amounting to US\$2,000,000 (2004: US\$Nil);
- (b) Corporate guarantees given by a subsidiary in respect of a revolving bank loan of US\$2,500,000 (2004: US\$Nil). The loan is secured by a registered debenture which creates floating charges over all the assets of the subsidiary;
- (c) Bill discounted with a bank amounting to HK\$3,768,000 (2004: HK\$Nil).

29 Post balance sheet events

- (a) On 24 March 2005, the Company announced the proposed issue of a minimum of 104,431,525 and a maximum of 106,291,525 warrants at an issue price of S\$0.02 for each warrant. The warrants were to be allocated on the basis of one warrant for every four existing ordinary shares of HK\$0.07 each of the Company held as at 22 March 2005. The closing date for the offer was 11 April 2005.

Each warrant carries the right to subscribe for one new ordinary share of HK\$0.07 each at an exercise price of S\$0.15 each. The warrants may be exercised at any time from 18 April 2005 to 17 April 2008.

According to an underwriting agreement dated 7 February 2005, the underwriter agreed to underwrite the issue of warrants up to a maximum of 78,663,475. The remaining warrants were to be subscribed for by the Company's major shareholders.

Subsequent to 31 March 2005, proceeds from the issue of warrants totalling approximately S\$1.80 million (equivalent to approximately HK\$8.60 million) after deducting issue expenses were received. The warrants were listed on the Official List of the SGX-ST on 20 April 2005.

- (b) The Company obtained a syndicated bank loan facility amounting to US\$12,000,000 pursuant to a Transferable Loan Facility Agreement dated 11 April 2005. This facility is secured by registered debentures which create fixed and floating charges over all the assets of a subsidiary and a corporate guarantee issued by a subsidiary. On 22 April 2005, the Company drew down the full available facility of US\$12,000,000. Interest is repayable at SIBOR plus 1.5% per annum. Under the loan agreement terms, US\$6,600,000 is required to be repayable quarterly until 21 January 2008 and the remaining balance of US\$5,400,000 is required to be repaid on 21 April 2008.

30 Comparative figures

The comparative figures for technical support income in the income statement have been reclassified to conform with the current year's presentation whereby technical support income is included within turnover. The directors consider that this revised presentation more appropriately reflects the nature of this income.

STATISTICS OF SHAREHOLDINGS

as at 8 June 2005

Authorised share capital : HK\$91,000,000
 Issued and fully paid-up : 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	141	3.78	3,500	0.00
1,000 -10,000	1,141	30.59	9,138,674	2.19
10,001 - 1,000,000	2,426	65.04	123,855,450	29.65
1,000,000 and above	22	0.59	284,728,476	68.16
Total :	3,730	100.00	417,726,100	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	UOB Kay Hian Pte Ltd	116,573,440	27.91
2	Mayban Nominees (S) Pte Ltd	23,854,000	5.71
3	Citibank Nominees Singapore Pte Ltd	22,529,975	5.39
4	Orlit Enterprises (S) Pte Ltd	17,377,000	4.16
5	DBS Vickers Securities (S) Pte Ltd	13,502,317	3.23
6	Phillip Securities Pte Ltd	12,060,449	2.89
7	United Overseas Bank Nominees Pte Ltd	11,265,000	2.70
8	OCBC Securities Private Ltd	10,653,048	2.55
9	Kim Eng Securities Pte. Ltd.	7,710,824	1.85
10	HL Bank Nominees (S) Pte Ltd	7,615,000	1.82
11	Capital Intelligence Limited	7,503,000	1.80
12	G K Goh Stockbrokers Pte Ltd	5,763,000	1.38
13	Citibank Consumer Nominees Pte Ltd	4,419,048	1.06
14	Louis Mak Fuk Sang	4,225,600	1.01
15	HSBC (Singapore) Nominees Pte Ltd	4,127,000	0.99
16	Lin Shui Chin	4,022,000	0.96
17	Hong Leong Finance Nominees Pte Ltd	2,682,000	0.64
18	DBS Nominees Pte Ltd	2,557,550	0.61
19	Lim & Tan Securities Pte Ltd	1,704,000	0.41
20	Ng Hwee Leng	1,700,000	0.41
Total:		281,844,251	67.48

STATISTICS OF WARRANT HOLDINGS

as at 8 June 2005

Distribution of Warrant Holdings

Size of warrant holdings	No. of warrant holders	%	No. of warrants	%
1 - 999	4	0.29	2,000	0.00
1,000 - 10,000	615	44.60	3,456,800	3.31
10,001 - 1,000,000	741	53.73	44,642,500	42.75
1,000,00 and above	19	1.38	56,330,225	53.94
Total :	1,379	100.00	104,431,525	100.00

Twenty Largest Warrant Holders

No.	Name	No. of warrants	%
1	UOB Kay Hian Pte Ltd	12,201,450	11.68
2	DBS Vickers Securities (S) Pte Ltd	8,020,250	7.68
3	United Overseas Bank Nominees Pte Ltd	5,703,500	5.46
4	OCBC Securities Private Ltd	4,171,000	3.99
5	Lee Shu Neu	4,034,000	3.86
6	Phillip Securities Pte Ltd	2,802,000	2.68
7	Thian Yim Pheng	2,600,000	2.49
8	Kim Eng Securities Pte. Ltd.	2,528,500	2.42
9	G K Goh Stockbrokers Pte Ltd	1,892,125	1.81
10	Chua Beng Cheng	1,770,000	1.69
11	Lim Geok Hwa	1,500,000	1.44
12	Tan Lian Neo Winnie	1,500,000	1.44
13	Siow Kon Sang @ Siau Kam Sang	1,158,000	1.11
14	Siow Kon Sang Nee Lily Seet	1,125,000	1.08
15	Hedging Trading Pte Ltd	1,088,000	1.04
16	Siow Hua Ming	1,075,000	1.03
17	Louis Mak Fuk Sang	1,056,400	1.01
18	Siow Hua Lin	1,055,000	1.01
19	Siow Hua Chiang	1,050,000	1.01
20	Hong Wen Yee	1,000,000	0.96
Total:		57,330,225	54.89

STATISTICS OF SHAREHOLDINGS

as at 8 June 2005

Substantial Shareholders (as recorded in the Register of Substantial Shareholders) as at 08 June 2005

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	10.99
TriVision Limited ^{1, 4}	41,709,200	9.98	-	-		
Compelling Vision Management Limited ²	59,794,200	14.31	-	-		
Amber Intertrade Ltd ⁴	-	-	41,709,200	9.98		
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.

Free Float

As at 8 June 2005, approximately 73.54% 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, Cypress Room, Level 2, 442 Orchard Road, Singapore 238879 on Friday, 29 July 2005 at 2.30 p.m. 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 2005 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr. Louis Mak Fuk Sang, a Director retiring pursuant to Bye-law 104 of the Bye-laws of the Company. **(Resolution 2)**

3. To approve the payment of Directors' fees of HK\$381,600 for the financial year ended 31 March 2005. (2004: HK\$210,000) **(Resolution 3)**

4. To re-appoint Messrs KPMG as the Company's Auditors and to authorize the Directors to fix their remuneration. **(Resolution 4)**

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 resolution 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 the 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 5)

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 6)

By Order of the Board

Gao Xiangnong
Raymond Tong Wei Min
Joint Company Secretaries

Singapore, 6 July 2005

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:

- (i) The Ordinary Resolution 5 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 and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 5) 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 will not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 5) 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 or by the Company's Bye-laws to be held, whichever is the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.
- (ii) The Ordinary Resolution 6 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/it 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.

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