AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

Profit and Loss Highlights

	2007 **HK$'million**	2006 *HK$'million*
Revenue	3,099.8	2,452.2
Earnings before interest, tax, depreciation, amortisation and non-cash items		
Corporate	24.8	4.2
Marketing and distribution	47.1	47.4
Design and manufacture	(21.0)	(54.9)
Gain on disposal of an available-for-sale investment	–	37.5
	50.9	34.2
Depreciation, amortisation and non-cash items	(91.9)	1.0
Profit/(loss) for the year	(69.9)	8.3

Balance Sheet Highlights

	2007 **HK$'million**	2006 *HK$'million*
Total assets	**939.7**	969.5
Total assets less current liabilities	**358.0**	432.7
Total equity	**345.4**	417.1
Bank debts	**414.8**	394.2
Cash and cash equivalents	**139.2**	164.9
Equity investments under current assets	**201.1**	138.3
Cash and cash equivalents and equity investments	**340.3**	303.2
Net debt	**74.5**	91.0
Net debt to total equity (%)	**22%**	22%
Current assets to current liabilities (%)	**144%**	150%
Cash and cash equivalents and equity investments per share (HK$)	**0.84**	0.75
Total equity per share (HK$)	**0.85**	1.03

RESULTS

The Board of Directors of AV Concept Holdings Limited (the "Company" or "AV Concept") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
REVENUE	3	**3,099,846**	2,452,230
Cost of sales		**(3,010,524)**	(2,337,426)
Gross profit		**89,322**	114,804
Other income and gains	3	**45,930**	15,776
Selling and distribution costs		**(38,003)**	(69,824)
Administrative expenses		**(71,417)**	(78,142)
Gain on disposal of a subsidiary		**–**	39,552
Gain on disposal of an available-for-sale investment		**–**	37,473
Other expenses		**(66,744)**	(24,333)
Finance costs	4	**(21,247)**	(19,075)
PROFIT/(LOSS) BEFORE TAX	5	**(62,159)**	16,231
Tax	6	**(7,722)**	(7,891)
PROFIT/(LOSS) FOR THE YEAR		**(69,881)**	8,340
Attributable to:			
Equity holders of the Company		**(69,881)**	10,531
Minority interests		**–**	(2,191)
		(69,881)	8,340
DIVIDEND	7		
Proposed final		**–**	8,102
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**(17.3 cents)**	2.6 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**84,717**	94,024
Other intangible assets		**1,431**	1,817
Interests in associates		**–**	–
Available-for-sale investments	9	**18,400**	68,484
Total non-current assets		**104,548**	164,325
CURRENT ASSETS			
Due from a jointly-controlled entity		**3,143**	3,660
Inventories	10	**236,955**	200,361
Trade receivables	11	**221,992**	269,316
Prepayments, deposits and other receivables		**32,786**	28,361
Equity investments at fair value through profit or loss	12	**201,126**	138,294
Tax recoverable		**–**	274
Cash and bank balances		**107,582**	135,328
Time deposits		**31,579**	29,541
Total current assets		**835,163**	805,135
CURRENT LIABILITIES			
Trade payables and accrued expenses	13	**133,453**	115,495
Interest-bearing bank borrowings		**402,890**	378,881
Finance lease payables		**888**	1,215
Tax payable		**44,489**	41,121
Total current liabilities		**581,720**	536,712
NET CURRENT ASSETS		**253,443**	268,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**357,991**	432,748
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**9,618**	11,922
Finance lease payables		**1,385**	2,150
Deferred tax liabilities		**1,560**	1,560
Total non-current liabilities		**12,563**	15,632
Net assets		**345,428**	417,116
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**40,508**	40,508
Reserves		**304,920**	368,506
Proposed final dividend		**–**	8,102
Total equity		**345,428**	417,116

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's share of the financial statements of its jointly-controlled entity for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The results of the jointly-controlled entity are proportionately consolidated. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

The principal changes in accounting policies are as follows:

(a) HKAS 39 *Financial Instruments: Recognition and Measurement*

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(b) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 *Leases*. However, the adoption of this interpretation has had no material impact on these financial statements.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 Revised	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from its major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HKAS 23 Revised, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

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

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

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

Business Segments

The following tables present revenue and profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

	Marketing and distribution		Design and manufacture		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**3,055,024**	2,178,874	**44,822**	273,356	**–**	–	**3,099,846**	2,452,230
Intersegment sales	**7,591**	34,694	**17,696**	138	**(25,287)**	(34,832)	**–**	–
Other income and gains	**208**	77	**5,816**	3,084	**–**	–	**6,024**	3,161
Total	**3,062,823**	2,213,645	**68,334**	276,578	**(25,287)**	(34,832)	**3,105,870**	2,455,391
Segment results	**40,311**	42,826	**(51,914)**	(85,188)	**–**	–	**(11,603)**	(42,362)
Interest income							**3,236**	3,140
Dividend income from listed investments							**1,603**	1,383
Gain on disposal of a subsidiary	**–**	–	**–**	39,552	**–**	–	**–**	39,552
Gain on disposal of an available-for-sale investment							**–**	37,473
Write-off of an available-for-sale investment							**(7,800)**	–
Impairment of an available-for-sale investment							**(42,284)**	–
Fair value gains on equity investments at fair value through profit or loss							**34,391**	8,036
Loss on disposal of items of property, plant and equipment							**(2,594)**	(4,524)
Reversal of impairment of items of property, plant and equipment							**1,278**	–
Impairment of other intangible assets							**(432)**	(261)
Unallocated expenses							**(16,707)**	(7,131)
Finance costs							**(21,247)**	(19,075)
Profit/(loss) before tax							**(62,159)**	16,231
Tax							**(7,722)**	(7,891)
Profit/(loss) for the year							**(69,881)**	8,340

Business Segments (continued)

	Marketing and distribution		Design and manufacture		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**600,513**	522,371	**29,388**	98,114	**629,901**	620,485
Unallocated assets					**309,810**	348,975
Total assets					**939,711**	969,460
Segment liabilities	**119,339**	93,435	**9,833**	22,168	**129,172**	115,603
Unallocated liabilities					**465,111**	436,741
Total liabilities					**594,283**	552,344
Other segment information:						
Depreciation	**2,083**	1,726	**6,179**	11,386	**8,262**	13,112
Unallocated depreciation					**2,534**	2,156
					10,796	15,268
Amortisation of other intangible assets	**–**	–	**5**	852	**5**	852
Unallocated amortisation of other intangible assets					**48**	–
					53	852
Other non-cash expenses	**–**	–	**–**	938	**–**	938
Unallocated non-cash expenses					**432**	261
					432	1,199
Impairment of trade receivables	**–**	530	**1,071**	2,640	**1,071**	3,170
Capital expenditure	**2,180**	996	**502**	10,201	**2,682**	11,197
Unallocated capital expenditure					**67**	18,124
					2,749	29,321

Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

	Hong Kong		Mainland China		Singapore		Korea		Other locations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**1,935,240**	1,726,340	**–**	3,649	**1,122,617**	516,071	**15,992**	57,827	**25,997**	148,343	**3,099,846**	2,452,230
Other segment information:												
Segment assets	**769,482**	806,683	**20,601**	56,831	**149,628**	89,414	**–**	–	**–**	16,532	**939,711**	969,460
Capital expenditure	**1,779**	24,731	**–**	3,166	**970**	333	**–**	–	**–**	1,091	**2,749**	29,321

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Marketing and distribution of electronic components	**3,055,024**	2,178,874
Design, manufacture and sale of electronic products	**44,822**	273,356
	3,099,846	2,452,230
Other income and gains		
Bank interest income	**3,236**	3,140
Dividend income from listed investments	**1,603**	1,383
Fair value gains, net:		
Equity investments at fair value through profit or loss	**34,391**	8,036
Reversal of impairment of items of property, plant and equipment	**1,278**	–
Others	**5,422**	3,217
	45,930	15,776
	3,145,776	2,468,006

4. FINANCE COSTS

	Group 2007 HK$'000	2006 HK$'000
Interest on bank loans wholly repayable within five years	**20,413**	18,276
Interest on a mortgage loan	**752**	678
Interest on finance leases	**82**	121
	21,247	19,075

5. PROFIT/(LOSS) BEFORE TAX

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

	2007 HK$'000	2006 HK$'000
Cost of inventories sold	**2,989,516**	2,259,086
Depreciation	**10,796**	15,268
Amortisation of other intangible assets*	**53**	852
Impairment of other intangible assets**	**432**	261
Write-off of other intangible assets*	**–**	938
Impairment of trade receivables**	**1,071**	3,170
Impairment of slow moving inventories	**6,109**	–
Write-off of slow moving inventories	**20,271**	–
Minimum lease payments under operating leases in respect of land and buildings	**3,293**	5,178
Auditors' remuneration	**1,426**	1,630
Staff costs (including directors' remuneration):		
Wages and salaries	**61,262**	75,572
Pension scheme contributions	**1,273**	2,020
	62,535	77,592
Loss on disposal of items of property, plant and equipment**	**2,594**	4,524
Foreign exchange differences, net**	**2,869**	4,612
Fair value gains on equity investments at fair value through profit or loss	**(34,391)**	(8,036)
Dividend income from listed investments	**(1,603)**	(1,383)
Reversal of impairment of items of property, plant and equipment	**(1,278)**	–
Impairment of an available-for-sale investment**	**42,284**	–
Write-off of an available-for-sale investment**	**7,800**	–
Interest income	**(3,236)**	(3,140)

* The amortisation and write-off of other intangible assets are included in "Cost of sales" on the face of the consolidated income statement.

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

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates ranging from 11% to 33% (2006: 11% to 33%) in the locations in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**7,722**	4,548
Overprovision in prior years	**–**	(296)
Current – Elsewhere		
Charge for the year#	**–**	4,978
Deferred	**–**	(1,339)
Total tax charge for the year	**7,722**	7,891

In the prior year, the amounts included capital gains tax arising from the disposal of an available-for-sale investment in Korea.

7. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final – Nil (2006: 2 HK cents) per ordinary share	**–**	8,102

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$69,881,000 (2006: profit for the year attributable to ordinary equity holders of the Company of HK$10,531,000) and the 405,082,419 (2006: 405,082,419) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed, as the share options outstanding during both years have an anti-dilutive effect on the basic earnings/(loss) per share for these years.

9. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	**60,684**	70,434
Provision for impairment	**(42,284)**	(1,950)
	18,400	68,484

The above investments consist of investments in unlisted equity securities which were designated as available-for-sale investments.

10. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**1,561**	21,920
Work in progress	**–**	4,108
Finished goods	**235,394**	174,333
	236,955	200,361

11. TRADE RECEIVABLES

Trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Group has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 31 March 2007, based on invoice due date and stated net of impairment of trade receivables, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**152,928**	158,078
1 – 30 days	**33,907**	63,512
31 – 60 days	**24,085**	18,694
Over 60 days	**11,072**	29,032
	221,992	269,316

In the prior year, included in the Group's trade receivables is an amount due from the Group's related company of HK$985,000, which was repayable on similar credit terms to those offered to the major customers of the Group. The related company is owned as to 25% by an executive director of the Company. Such amount also represented the maximum outstanding amount in last year. The carrying amounts of the Group's trade receivables approximate to their fair values.

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Managed funds, outside Hong Kong, at market value	**129,697**	99,260
Listed equity investments, at market value:		
Hong Kong	**47,741**	29,384
Elsewhere	**23,688**	9,650
	201,126	138,294

The above equity investments at 31 March 2006 and 2007 were classified as held for trading.

13. TRADE PAYABLES AND ACCRUED EXPENSES

An aged analysis of the trade payables and accrued expenses as at the balance sheet date, based on invoice due date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade payables:		
Current	**77,223**	47,159
1 – 30 days	**32,781**	37,947
31 – 60 days	**312**	346
Over 60 days	**228**	2,350
	110,544	87,802
Accrued expenses	**22,909**	27,693
	133,453	115,495

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

14. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in AVC Technology Limited ("AVCT") at a total consideration of HK$1,000. The consideration for the disposal was determined with reference to the financial position of AVCT as at 31 May 2007. The disposal was completed on 1 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 13 August 2007 to Wednesday, 15 August 2007 (both days inclusive) during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tengis Limited (to be renamed as Tricor Tengis Limited with effect from 1 August 2007), at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 10 August 2007.

BUSINESS REVIEW AND PROPSECTS

The following sets out the financial highlights for the year ended 31 March 2007, with the comparative figures for the corresponding financial year of 2006.

	2007	2006
	HK$'million	*HK$'million*
Revenue		
Marketing and distribution	**3,055.0**	2,178.9
Design and manufacture	**44.8**	273.3
	3,099.8	2,452.2
Earnings before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**24.8**	4.2
Marketing and distribution	**47.1**	47.4
Design and manufacture	**(21.0)**	(54.9)
Gain on disposal of an available-for-sale investment	**–**	37.5
	50.9	34.2
Depreciation, amortisation and non-cash items		
Marketing and distribution	**(7.0)**	(4.7)
Design and manufacture	**(34.8)**	(33.9)
Impairment of an available-for-sale investment	**(42.3)**	–
Gain on disposal of a subsidiary	**–**	39.6
Write-off of an available-for-sale investment	**(7.8)**	–
	(91.9)	1.0
Earnings before interest and tax	**(41.0)**	35.2
Interest expenses	**(21.2)**	(19.0)
Profit/(loss) before tax	**(62.2)**	16.2
Tax	**(7.7)**	(7.9)
Profit/(loss) for the year	**(69.9)**	8.3

BUSINESS REVIEW

The Group's turnover for the financial year ended 31 March 2007 reached approximately HK$3.1 billion, representing an increase of 26.4% against last year (FY2005/2006: HK$2.5 billion). This was attributable to the healthy growth of distribution business. EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) for the year improved to HK$50.9 million (FY2005/2006: HK$34.2 million). Net loss for the year was approximately HK$69.9 million (FY2005/2006: profit for the year of HK$8.3 million).

The substantial change in profit was mainly due to the following reasons:

- the recognition of impairment loss of HK$42.3 million against the carrying value of a Warrant (as hereinafter defined);

- the write-off of the unlisted equity investment of HK$7.8 million in a company in South Korea which was engaged in the manufacture and sale of organic light-emitting diodes ("OLED"); and

- the recognition of the total non-cash expenses of HK$34.8 million in relation to the design and manufacturing business.

On 1 August 2005, the Group completed the first phase of the cooperation with BreconRidge Manufacturing Solutions Corporation ("BreconRidge") by disposing 50% of the Group's equity interests in AV BreconRidge Limited ("AV BreconRidge") in consideration for a warrant which entitles the Group to subscribe for certain common shares in BreconRidge (the "Warrant"). A disposal gain (net of transaction cost) of HK$39.6 million was therefore recorded from the disposal of the first tranche shares in AV BreconRidge in the previous financial year.

Pursuant to the terms of the agreement, it was agreed that subject to the occurrence of a liquidity event (involving the listing of the shares of BreconRidge on certain international stock exchanges), the Group shall, at final closing, exercise the Warrant and in addition, dispose the remaining 50% shares in AV BreconRidge to BreconRidge (the "Final Closing"), the details of which have already been disclosed in the Company's Annual Report 2006 and in the relevant announcements and circulars relating to the transaction.

As the liquidity event has yet to occur, an impairment loss of HK$42.3 million was recorded in the current year but the amount of such impairment loss will be reassessed upon Final Closing. Accordingly, the Warrant was valued at HK$18.4 million as at 31 March 2007 (31 March 2006: HK$60.7 million).

Heeding the challenging operation environment for MP3 business, the Group discontinued the non-profit making business in the last financial year. The negative EBITDA incurred by the design and manufacturing business was therefore narrowed down to HK$21.0 million in the current year (FY2005/2006: negative EBITDA of HK$54.90 million). In order to enable the Group to re-align the focus of the business segment to the markets with high margin and longer life cycles, the Group's design and manufacturing business recorded a total amount of HK$34.8 million non-cash expenses/losses which included depreciation, amortisation, stock and bad debts provisions and property, plant and equipment.

Marketing and Distribution Business

During the year under review, the segment recorded a turnover of HK$3.1 billion (FY2005/2006: HK$2.2 billion), a 40.2% growth, and the segmental EBITDA was maintained at HK$47.10 million (FY2005/2006: HK$47.4 million). The marketing and distribution business remained as the Group's core revenue contributor, accounting for 99% of its total turnover.

Demand for the Group's flash memory products and semiconductor products continued to record stable and satisfactory growth. However, fierce competition in the market dragged down average selling prices which in turn squeezed the Group's profit margins. In spite of the tough market conditions, the Group diversified its distribution business and expanded its customer base in order to maintain the business margin. In the current year, the segmental profit was HK$40.3 million (FY2005/2006: segmental profit of HK$42.8 million).

In order to expand and strengthen its comprehensive sales and distribution network, the Group set up additional representative offices in major cities in the PRC during the year. In November 2006, the Group opened a representative office in Beijing.

Design and Manufacturing Business

After the Group exited the MP3 business in the previous financial year, it re-aligned the focus of the business segment to high margin products with longer life cycles for niche markets such as special care products for the aged and disabled. During the year under review, this business segment recorded sales of HK$44.8 million, attributable mainly to the sales of special care electronics. North America remained as the major market for this segment with the world's largest supplier of low-vision-aid products as one of its key clients. The Group saw strong potential in this business and therefore will continue to keep its eyes on suitable opportunities for widening its customer base.

Medical Equipment Distribution Business

The demand for the medical equipment is rising worldwide especially the products for global aging and special-need population. To cater to this increasing demand, the Group also seeks to diversify its business into the distribution of niche medical equipments with the support of its extensive distribution network in Asia, Korea and the PRC will be its major focuses.

Regarding the distribution of balanceback™ equipment for treating balance disorders and Korean-made medical equipment for providing quality medical equipments to hospitals and clinics in the PRC, the Group has applied and is waiting for approval of distribution licenses in the region. At the same time, the Group has started pre-marketing efforts and building a distribution network in the PRC. The medical equipment distribution segment will take time to develop but its future looks prosperous. The management will continue to explore the opportunities to distribute other niche medical equipments and expects the medical equipment distribution business to start contributing profit in the coming years.

Joint Venture with BreconRidge

The Group formed a joint venture with its long-term business partner, Canadian EMS giant BreconRidge, by way of exchanging interest of shares. BreconRidge provides a full range of EMS from design engineering, development testing, supply chain management and after sales support to customers. During the year under review, by leveraging BreconRidge's world-class engineering expertise, the joint venture saw its manufacturing facilities and technology level upgraded. The cooperation has also allowed the Group to streamline its manufacturing business and access BreconRidge's prominent client base. The Group will continue to put efforts on generating more new businesses for the joint venture. It expects the partnership to generate good returns for shareholders in the long run.

PROSPECTS

This year was the toughest year for the Group since its listing on the Main Board of The Stock Exchange of Hong Kong. The Group expects its performance to improve significantly in the coming financial year. Looking forward, the Group will continue to consolidate its cash cow distribution business and, at the same time, actively seek profitable business opportunities that promise lucrative margins and growth potential.

Marketing and Distribution Business

With a consistently strong track record, the electronics distribution business will remain as the Group's growth driver and revenue contributor. The Group will strengthen the competitive edge of the business by boosting its value-added services. It will strive to consolidate its position as a reliable semiconductors distributor in the Asia Pacific region for Samsung Electronics and Fairchild products. The management is aware of the challenges that may impact the industry and the Group's business. To combat these challenges such as rising interest rates, labour cost and pricing pressure, the Group has implemented a series of measures to improve cost effectiveness. These measures included tightening inventory control and diversifying the Group's distribution portfolio to boost margin and grow market share.

Design and Manufacturing Business

With years of experience working with the world's top special-care electronics producer, the Group believes that it has the capability to capture the strong potential of the niche market. This market does not generally pose fast growth, however, with high entry barriers, the market itself promises high profit margins for established players. The Group, with its well established distribution network in Asia, is poised to capture the rising demand in the market as governments worldwide become increasingly aware of their responsibilities to provide financial aid to the needy for purchasing the niche products.

Following the Group's development plans, the management will explore business opportunities that can bring growth and high returns to the Group and, at the same time, seek to maintain the unique competence of its traditional business. The Group will aim for a strong business recovery and growth in the next financial year to enhance shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 31 March 2007 and the corresponding gearing ratio are shown as follows:

	2007	2006
	HK$'million	*HK$'million*
Bank debts	**414.8**	394.2
Cash and cash equivalents	**139.2**	164.9
Equity investments under current assets	**201.1**	138.3
Cash and cash equivalents and equity investments	**340.3**	303.2
Net debt	**74.5**	91.0
Total equity	**345.4**	417.1
Net debt to total equity	**22%**	22%

As at 31 March 2007, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK$139.2 million (2006: HK$164.9 million), while the Group's equity investments at fair value through profit or loss amounted to HK$201.1 million (2006: HK$138.3 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The net debt to total equity ratio as at 31 March 2007 was 22% (2006: 22%), while the Group's total equity as at 31 March 2007 was HK$345.4 million (2006: HK$417.1 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2007 of HK$340.3 million (2006: HK$303.2 million).

The working capital position of the Group remains healthy. As at March 2007, the liquidity ratio was 144% (2006: 150%).

	2007	2006
	HK$'million	*HK$'million*
Current assets	**835.2**	805.1
Current liabilities	**(581.7)**	(536.7)
Net current assets	**253.5**	268.4
Current assets to current liabilities (%)	**144%**	150%

The management is confident that the Group follows a policy of prudence in managing its treasury position, and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

In the opinion of the Board of Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31 March 2007. Further details of the Company's corporate governance practices will be described in the corporate governance report to be contained in the Company's Annual Report 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Having made specific enquiries of all the directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code throughout the financial year under review.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee, comprising the three independent non-executive directors, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the financial statements for the year ended 31 March 2007.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.avconcept.com. An annual report for the year ended 31 March 2007 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
AV CONCEPT HOLDINGS LIMITED
So Yuk Kwan
Chairman

Hong Kong, 11 July 2007

As at the date of this announcement, the Board comprises three executive directors, Mr. So Yuk Kwan (Chairman), Mr. Lee Jeong Kwan and Mr. So Chi On, and three independent non-executive directors, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.