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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

YEAR ENDED 31 MARCH 2011 ANNUAL RESULTS ANNOUNCEMENT

Income Statement Highlights	2011	2010
	<i>HK\$'million</i>	<i>HK\$'million</i>
Revenue		
– Semiconductor distribution	2,801.3	2,389.3
– Consumer electronic product	105.8	68.4
– LED	2.0	–
	<u>2,909.1</u>	<u>2,457.7</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	66.7	17.7
– Semiconductor distribution	49.8	45.5
– Consumer electronic product	19.5	2.4
– LED	5.4	(1.9)
	<u>141.4</u>	<u>63.7</u>
Depreciation, amortisation and non-cash items	<u>(9.8)</u>	<u>(4.9)</u>
Profit/(loss) for the year attributable to:		
Owners of the Company	122.4	77.0
Non-controlling interests	(0.5)	–
	<u>121.9</u>	<u>77.0</u>
Dividends		
– Interim	15.7	14.0
– Proposed final	24.8	20.9
	<u>40.5</u>	<u>34.9</u>
Statement of Financial Position Highlights		
Total assets	1,387.2	871.2
Total assets less current liabilities	684.8	388.7
Total equity	679.3	381.1
Bank debts	507.3	369.1
Cash and cash equivalents	287.4	151.8
Equity investments at fair value through profit or loss	223.3	104.8
Cash and cash equivalents and equity investments	<u>510.7</u>	<u>256.6</u>
Total debt to total equity (%)	75%	97%
Current assets to current liabilities (%)	148%	129%
Cash and cash equivalents and equity investments per share (HK\$)	0.82	0.55
Total equity per share (HK\$)	1.09	0.82

RESULTS

The Board of Directors (the “Board” or “Directors”) of AV Concept Holdings Limited (the “Company” or “AV Concept”) hereby announces the audited consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 March 2011, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
REVENUE	3	2,909,125	2,457,688
Cost of sales		<u>(2,769,541)</u>	<u>(2,331,673)</u>
Gross profit		139,584	126,015
Other income and gains	3	18,772	15,828
Selling and distribution costs		(35,369)	(28,913)
Administrative expenses		(108,685)	(72,122)
Fair value gains on equity investments at fair value through profit or loss, net		110,877	39,918
Fair value loss on a derivative financial instrument at fair value through profit or loss		(7,178)	(6,698)
Revaluation of a pre-existing interest in an acquired subsidiary to fair value		5,614	–
Other expenses		(8,487)	(17,202)
Finance costs	5	(10,956)	(8,721)
Share of profits and losses of: a jointly-controlled entity		18,002	1,061
associates		(1,493)	992
PROFIT BEFORE TAX	4	120,681	50,158
Income tax	6	1,254	26,859
PROFIT FOR THE YEAR		<u>121,935</u>	<u>77,017</u>
Attributable to:			
Owners of the Company		122,473	77,017
Non-controlling interests		(538)	–
		<u>121,935</u>	<u>77,017</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>22.6 cents</u>	<u>17.8 cents</u>
Diluted		<u>22.4 cents</u>	<u>17.7 cents</u>

Details of the dividends paid and proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PROFIT FOR THE YEAR	121,935	77,017
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax	<u>6,240</u>	<u>3,938</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>128,175</u>	<u>80,955</u>
Attributable to:		
Owners of the Company	128,713	80,955
Non-controlling interests	<u>(538)</u>	<u>—</u>
	<u>128,175</u>	<u>80,955</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		67,724	68,245
Investment property		24,701	22,679
Goodwill	11	37,729	–
Other intangible assets	9	26,592	1,567
Investment in a jointly-controlled entity		14,458	32,638
Investments in associates		173,679	61,781
Available-for-sale investments	10	1,750	45,924
Other deposit		–	17,050
Deferred tax assets		2,796	–
Total non-current assets		<u>349,429</u>	<u>249,884</u>
CURRENT ASSETS			
Convertible note receivable – loan portion	12	–	22,516
Inventories	13	257,881	106,355
Trade and bills receivables	14	237,876	209,889
Prepayments, deposits and other receivables		31,313	20,130
Due from a related company		–	5,759
Equity investments at fair value through profit or loss	15	223,339	104,843
Time deposits		62,204	17,421
Cash and bank balances		225,160	134,395
Total current assets		<u>1,037,773</u>	<u>621,308</u>
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	16	192,125	99,372
Interest-bearing bank borrowings		505,268	368,116
Finance lease payables		423	224
Tax payable		3,250	9,154
Financial guarantee obligation	17	1,262	5,591
Total current liabilities		<u>702,328</u>	<u>482,457</u>
NET CURRENT ASSETS		<u>335,445</u>	<u>138,851</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>684,874</u>	<u>388,735</u>
NON-CURRENT LIABILITIES			
Derivative financial instrument	18	–	6,698
Finance lease payables		1,565	729
Deferred tax liability		4,042	231
Total non-current liabilities		<u>5,607</u>	<u>7,658</u>
Net assets		<u>679,267</u>	<u>381,077</u>
EQUITY			
Issued capital		62,056	46,636
Reserves		593,626	313,507
Proposed final dividend	7	24,822	20,934
Equity attributable to equity holders of the Company		680,504	381,077
Non-controlling interests		(1,237)	–
Total equity		<u>679,267</u>	<u>381,077</u>

NOTES

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, derivative financial instrument and financial guarantee obligation 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

Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

1.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendment to HKAS 7 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ³
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ³
HKFRS 9	<i>Financial Instruments</i> ⁵
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ²
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ²
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ¹

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

- ¹ Effective for annual periods beginning on or after 1 July 2010
- ² Effective for annual periods beginning on or after 1 January 2011
- ³ Effective for annual periods beginning on or after 1 July 2011
- ⁴ Effective for annual periods beginning on or after 1 January 2012
- ⁵ Effective for annual periods beginning on or after 1 January 2013

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 April 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- (a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

- (b) *HKAS 1 Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- (c) *HKAS 27 Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer electronic product segment engages in the design, development and sale of electronic products; and
- (c) the others segment mainly comprises the Group's trading of Light-emitting Diode ("LED") business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, interest income from debt securities, interest income from a convertible note receivable, dividend income from listed investments, management fee income from associates and a related company, gain on early redemption of a convertible note receivable, rental income, share of profits and losses of associates and a jointly-controlled entity, fair value gains on equity investments at fair value through profit or loss, fair value loss on a derivative financial instrument at fair value through profit or loss, revaluation of a pre-existing interest in an acquired subsidiary to fair value, gain on disposal of items of property, plant and equipment, finance costs and unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted at costs.

2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution <i>HK\$'000</i>	Consumer electronic product <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2011				
Segment revenue:				
Sales to external customers	2,801,302	105,861	1,962	2,909,125
Intersegment sales	169,606	68,902	122	238,630
	2,970,908	174,763	2,084	3,147,755
<i>Reconciliation:</i>				
Elimination of intersegment sales				(238,630)
Revenue				<u>2,909,125</u>
Segment results	29,249	4,530	(8,915)	24,864
<i>Reconciliation:</i>				
Bank interest income				117
Interest income from debt securities				1,091
Interest income from a convertible note receivable				128
Dividend income from listed investments				409
Management fee income from associates				6,575
Management fee income from a related company				1,385
Gain on early redemption of a convertible note receivable				1,438
Rental income				1,150
Share of profit of a jointly-controlled entity				18,002
Share of profits and losses of associates				(1,493)
Fair value gains on equity investments at fair value through profit or loss, net				110,877
Fair value loss on a derivative financial instrument at fair value through profit or loss				(7,178)
Revaluation of a pre-existing interest in an acquired subsidiary to fair value				5,614
Gain on disposal of items of property, plant and equipment				137
Unallocated expenses				(31,479)
Finance costs				(10,956)
Profit before tax				<u>120,681</u>
Other segment information:				
Depreciation	3,737	132	6	3,875
Unallocated depreciation				1,273
Amortisation of other intangible assets	1,806	2,894	–	4,700
Impairment of trade receivables	347	–	–	347
Capital expenditure	15,523	14,983	8	30,514
Unallocated capital expenditure				<u>2,586</u>

2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution HK\$'000	Consumer electronic product HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2010				
Segment revenue:				
Sales to external customers	2,389,284	68,404	–	2,457,688
Intersegment sales	15,528	2,838	–	18,366
	2,404,812	71,242	–	2,476,054
<i>Reconciliation:</i>				
Elimination of intersegment sales				(18,366)
Revenue				<u>2,457,688</u>
Segment results	43,956	(3,355)	(2,980)	37,621
<i>Reconciliation:</i>				
Bank interest income				297
Interest income from debt securities				724
Interest income from a convertible note receivable				1,710
Dividend income from listed investments				615
Management fee income from associates				8,571
Management fee income from a related company				399
Share of profit of a jointly-controlled entity				1,061
Share of profits and losses of associates				992
Fair value gains on equity investments				39,918
at fair value through profit or loss, net				39,918
Fair value loss on a derivative financial instrument				(6,698)
at fair value through profit or loss				(6,698)
Gain on disposal of items of property, plant and equipment				329
Unallocated expenses				(26,660)
Finance costs				(8,721)
Profit before tax				<u>50,158</u>
Other segment information:				
Depreciation	3,940	96	–	4,036
Unallocated depreciation				909
Amortisation of other intangible assets	33	6	–	39
Reversal of impairment of trade receivables	(208)	–	–	(208)
Capital expenditure	12,316	64	12	12,392
Unallocated capital expenditure				<u>3,572</u>

2. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	1,465,650	1,548,556
Singapore	1,334,808	816,429
Korea	86,568	11,324
Other countries	22,099	81,379
	<u>2,909,125</u>	<u>2,457,688</u>

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

(b) Non-current assets

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	157,959	111,782
Mainland China	48,870	41,699
Singapore	37,605	33,429
Korea	104,995	62,974
	<u>349,429</u>	<u>249,884</u>

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

Information about a major customer

Revenue of approximately HK\$275,879,000 (2010: HK\$112,663,000) was derived from sales by the semiconductor distribution segment to a single customer.

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	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Semiconductor distribution	2,801,302	2,389,284
Consumer electronic product	105,861	68,404
Others	1,962	–
	<u>2,909,125</u>	<u>2,457,688</u>
Other income and gains		
Bank interest income	117	297
Interest income from debt securities	1,091	724
Interest income from a convertible note receivable	128	1,710
Gain on early redemption of a convertible note receivable	1,438	–
Dividend income from listed investments	409	615
Gain on disposal of items of property, plant and equipment	137	329
Management fee income from associates	6,575	8,571
Management fee income from a related company	1,385	399
Gain on disposal of an available-for-sale investment	3,921	–
Others	3,571	3,183
	<u>18,772</u>	<u>15,828</u>

4. PROFIT BEFORE TAX

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

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cost of inventories sold		2,768,161	2,325,900
Depreciation:			
Property, plant and equipment		4,637	4,636
Investment property		511	309
		<u>5,148</u>	<u>4,945</u>
Amortisation of other intangible assets*	9	4,700	39
Impairment/(reversal of impairment) of trade receivables**	14	347	(208)
Impairment/(reversal of impairment) of slow moving inventories*		1,408	(5,948)
Impairment of available-for-sale investments**	10	4,027	3,921
Minimum lease payments under operating leases in respect of land and buildings		2,126	2,393
Auditors' remuneration		1,726	1,598
Equity-settled share option expense**		–	2,206
Staff costs (including directors' remuneration):			
Wages and salaries		79,496	61,912
Pension scheme contributions		2,108	1,429
		<u>81,604</u>	<u>63,341</u>
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss		(110,877)	(39,918)
A derivative financial instrument at fair value through profit or loss		7,178	6,698
Foreign exchange differences, net**		(5,625)	3,991
Gain on disposal of items of property, plant and equipment		(137)	(329)
Bank interest income		(117)	(297)
Interest income from a convertible note receivable		(128)	(1,710)
Interest income from debt securities		(1,091)	(724)
Gain on early redemption of a convertible note receivable		(1,438)	–
Dividend income from listed investments		(409)	(615)
Reversal of impairment of items of property, plant and equipment**		–	(366)
Impairment of an investment in a jointly-controlled entity**		4,329	–
Revaluation of a pre-existing interest in an acquired subsidiary to fair value		(5,614)	–
Gain on derecognition of financial guarantee obligation**		(4,329)	–
Gain on disposal of an available-for-sale investment		(3,921)	–
		<u>81,604</u>	<u>63,341</u>

* The balances 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	10,916	8,608
Interest on a mortgage loan	–	44
Interest on finance leases	40	69
	<u>10,956</u>	<u>8,721</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	4,410	6,194
Overprovision in prior years	(2,099)	(33,115)
Deferred	(3,565)	62
	<u>(1,254)</u>	<u>(26,859)</u>
Total tax credit for the year	<u>(1,254)</u>	<u>(26,859)</u>

7. DIVIDENDS

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK3 cents (2010: HK3 cents) per ordinary share	15,701	13,991
Proposed final – HK4 cents (2010: HK4 cents) per ordinary share	24,822	20,934
	<u>40,523</u>	<u>34,925</u>

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 542,310,556 (2010: 433,871,619) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<u>122,473</u>	<u>77,017</u>
	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	542,310,556	433,871,619
Effect of dilution – weighted average number of ordinary shares: Share options	<u>4,902,837</u>	<u>574,361</u>
	<u>547,213,393</u>	<u>434,445,980</u>

9. OTHER INTANGIBLE ASSETS

	Club memberships <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Customer relationships <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2011				
At 31 March 2010 and at 1 April 2010:				
Cost	2,431	59	–	2,490
Accumulated amortisation and impairment	<u>(900)</u>	<u>(23)</u>	<u>–</u>	<u>(923)</u>
Net carrying amount	<u><u>1,531</u></u>	<u><u>36</u></u>	<u><u>–</u></u>	<u><u>1,567</u></u>
Cost at 1 April 2010, net of accumulated amortisation and impairment				
	1,531	36	–	1,567
Acquisition of subsidiaries (<i>note 19</i>)	–	–	27,710	27,710
Additions	1,950	–	–	1,950
Amortisation provided during the year	(37)	(6)	(4,657)	(4,700)
Exchange realignment	<u>65</u>	<u>–</u>	<u>–</u>	<u>65</u>
At 31 March 2011	<u><u>3,509</u></u>	<u><u>30</u></u>	<u><u>23,053</u></u>	<u><u>26,592</u></u>
At 31 March 2011:				
Cost	4,499	59	27,710	32,268
Accumulated amortisation and impairment	<u>(990)</u>	<u>(29)</u>	<u>(4,657)</u>	<u>(5,676)</u>
Net carrying amount	<u><u>3,509</u></u>	<u><u>30</u></u>	<u><u>23,053</u></u>	<u><u>26,592</u></u>
31 March 2010				
At 1 April 2009:				
Cost	2,344	59	–	2,403
Accumulated amortisation and impairment	<u>(831)</u>	<u>(17)</u>	<u>–</u>	<u>(848)</u>
Net carrying amount	<u><u>1,513</u></u>	<u><u>42</u></u>	<u><u>–</u></u>	<u><u>1,555</u></u>
Cost at 1 April 2009, net of accumulated amortisation and impairment				
	1,513	42	–	1,555
Amortisation provided during the year	(33)	(6)	–	(39)
Exchange realignment	<u>51</u>	<u>–</u>	<u>–</u>	<u>51</u>
At 31 March 2010	<u><u>1,531</u></u>	<u><u>36</u></u>	<u><u>–</u></u>	<u><u>1,567</u></u>
At 31 March 2010:				
Cost	2,431	59	–	2,490
Accumulated amortisation and impairment	<u>(900)</u>	<u>(23)</u>	<u>–</u>	<u>(923)</u>
Net carrying amount	<u><u>1,531</u></u>	<u><u>36</u></u>	<u><u>–</u></u>	<u><u>1,567</u></u>

10. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011	2010
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	5,777	49,845
Impairment (<i>note 4</i>)	<u>(4,027)</u>	<u>(3,921)</u>
	<u>1,750</u>	<u>45,924</u>

The above investments consist of investments in unlisted equity investments which were designated as available-for-sale investments and have no fixed maturity date or coupon rate.

During the year, a full provision of impairment of HK\$4,027,000 (2010: HK\$3,921,000) was made for available-for-sale investments with an original carrying value (before impairment) of HK\$4,027,000 (2010: HK\$3,921,000) because they have been making loss for years and have deficiency in assets at the end of the reporting period. The movements in the impairment provision during the year are as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
At beginning of year	3,921	–
Impairment losses recognised (<i>note 4</i>)	4,027	3,921
Derecognition on disposal	<u>(3,921)</u>	<u>–</u>
At end of year	<u>4,027</u>	<u>3,921</u>

11. GOODWILL

	Group
	2011
	HK\$'000
Carrying amount at beginning of year	–
Acquisition of subsidiaries (<i>note 19</i>)	<u>37,729</u>
Carrying amount at end of year	<u>37,729</u>

Goodwill acquired through business combinations has been allocated to the cash-generating unit (“CGU”) of semiconductor distribution business for impairment testing.

The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is budgeted growth rate, which is determined based on past performance and management’s expectations for the market development.

Management considered that no impairment on goodwill was noted and believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the CGU to exceed its aggregate recoverable amount.

12. CONVERTIBLE NOTE RECEIVABLE – LOAN PORTION

At 31 March 2010, the Group held an unlisted convertible note with a principal amount of US\$3,000,000, which was issued by a private company. The convertible note bore interest at a rate of 12% per annum.

During the year, on 1 June 2010, the convertible note receivable was fully redeemed by the issuer.

13. INVENTORIES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Finished goods	<u>257,881</u>	<u>106,355</u>

14. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Trade receivables	239,160	206,214
Impairment	<u>(1,284)</u>	<u>(937)</u>
	237,876	205,277
Bills receivable discounted with recourse	<u>–</u>	<u>4,612</u>
	<u>237,876</u>	<u>209,889</u>

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

14. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Current	195,986	148,064
1 to 30 days	33,436	53,693
31 to 60 days	7,031	727
Over 60 days	2,707	3,730
	<u>239,160</u>	<u>206,214</u>

An aged analysis of the bills receivable as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Current	<u>-</u>	<u>4,612</u>

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
At beginning of year	937	1,294
Impairment losses recognised/(reversed) (note 4)	347	(208)
Amount written off as uncollectible	-	(149)
At end of year	<u>1,284</u>	<u>937</u>

The above provision is for individually impaired trade receivables which related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

14. TRADE AND BILLS RECEIVABLES (Continued)

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

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	195,986	148,064
Less than 1 month past due	33,436	53,693
1 to 3 months past due	7,031	727
3 to 6 months past due	1,423	2,793
	<u>237,876</u>	<u>205,277</u>

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

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

15. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Managed funds, outside Hong Kong, at market value	45,397	57,512
Listed equity investments, at market value:		
Hong Kong	7,131	18,962
Elsewhere	146,237	8,253
Debt securities, at market value	24,574	20,116
	<u>223,339</u>	<u>104,843</u>

The above equity investments at 31 March 2010 and 2011 were classified as held for trading.

16. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

An aged analysis of the trade payables, deposits received and accrued expenses as at the end of the reporting period, based on the invoice due date, is as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
Current	133,632	73,368
1 to 30 days	27,801	4,835
31 to 60 days	459	348
Over 60 days	1,193	1,595
	<hr/>	<hr/>
	163,085	80,146
Deposits received	8,143	869
Accrued expenses	20,897	18,357
	<hr/>	<hr/>
	192,125	99,372
	<hr/> <hr/>	<hr/> <hr/>

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.

17. FINANCIAL GUARANTEE OBLIGATION

During the year, the Company has provided financial guarantees to a jointly-controlled entity and an associate in relation to the bank lending facilities granted to them, and the Company will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

As at 31 March 2011, the fair value of the financial guarantee obligation of the Group amounted to HK\$1,262,000 (2010: HK\$5,591,000), based on the valuation from an independent professionally qualified valuer engaged by the Group. The method used in determining the fair value of these guarantees was by reference to the recovery rate and key financial ratio of the guaranteed entities.

18. DERIVATIVE FINANCIAL INSTRUMENT

	2011	2010
	Liability	Liability
	HK\$'000	HK\$'000
Group		
Interest rate swap	<u><u>-</u></u>	<u><u>6,698</u></u>

In the prior year, the carrying amount of the interest rate swap was the same as its fair value. The above transaction involving derivative financial instruments was with Standard Chartered Bank of good credit rating.

Under the interest rate swap, the Group would pay interest at 3-month Hong Kong Interbank offer rate (“HIBOR”) minus 0.1% while receive interest calculated on a daily basis at 3-month HIBOR based on the notional amount of HK\$200,000,000 in the first two contractual years. In the third to fifth contractual years, the Group would pay interest at a fixed rate of 3.78% based on the notional amount while receive interest calculated on a daily basis at 3-month HIBOR, when 3-month HIBOR was less than or equal to 7%. If 3-month HIBOR was higher than 7%, the Group would pay interest at 3-month HIBOR.

As the interest rate swap did not meet the criteria for hedge accounting, it was designated as a financial liability at fair value through profit or loss upon initial recognition and the change in its fair value amounting to HK\$6,698,000 was charged to the consolidated income statement in the prior year.

The interest rate swap was early terminated and the fair value loss amounting to HK\$7,178,000 was charged to the consolidated income statement in the current year.

19. ACQUISITION OF SUBSIDIARIES

On 1 April 2010, the Group acquired an additional 1% equity interest in a former associate, Signeo Design International Limited (“SDI”), at a cash consideration of HK\$100,000, and SDI has become a non-wholly-owned subsidiary of the Group. The principal activity of SDI is trading of consumer electronic product.

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

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

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

	Fair value recognised on acquisition HK\$'000
Net assets acquired:	
Property, plant and equipment	324
Available-for-sale investments	1,900
Equity investments at fair value through profit or loss	60
Investments in associates	6,581
Inventories	6,800
Trade and other receivables	27,143
Amounts due from former shareholders	9,266
Cash and bank balances	6,688
Amounts due to fellow subsidiaries	(30,203)
Trade and other payables	(51,480)
Intangible assets in relation to customer relationship (<i>note 9</i>)	27,710
Deferred tax liabilities	(4,572)
	<hr/>
Total identifiable net assets at fair value	217
Non-controlling interests	699
Goodwill on acquisition (<i>note 11</i>)	37,729
	<hr/>
	38,645
Fair value of equity interest previously held as investments in associates	(4,305)
	<hr/>
	<u>34,340</u>
Satisfied by cash	28,100
Satisfied by conversion of a convertible note	6,240
	<hr/>
	<u>34,340</u>

19. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of trade and other receivables as at the date of acquisition amounted to HK\$27,143,000. The gross contractual amount of trade and other receivables was HK\$27,143,000 of which none of the above balances are expected to be uncollectible.

HK\$'000

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

Cash consideration	(28,100)
Repayment of amounts due from former shareholders	9,266
Cash and bank balances acquired	<u>6,688</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(12,146)</u></u>

Since its acquisition, the acquired subsidiaries contributed HK\$238,781,000 to the Group's turnover and HK\$8,278,000 to the consolidated profit for the year ended 31 March 2011.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$3,184,254,000 and HK\$125,199,000, respectively.

The Group incurred transaction costs of HK\$330,000 for these acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

20. EVENT AFTER THE REPORTING PERIOD

On 31 May 2011, New Concept Capital Limited ("New Concept"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party, Guangzhou Boqin Web Technology Company Limited ("Guangzhou Boqin"), pursuant to which Guangzhou Boqin agreed to purchase, and New Concept agreed to sell, the entire equity interests in Dragon Favour Technology Limited, for a total consideration of approximately HK\$48,797,000 (equivalent to RMB40,800,000). Further details of this transaction were set out in the announcement of the Company dated 31 May 2011.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the year ended 31 March 2011, with the comparative figures for the corresponding financial year of 2010.

	2011 <i>HK\$'million</i>	2010 <i>HK\$'million</i>
<i>Revenue</i>		
Semiconductor distribution	2,801.3	2,389.3
Consumer electronic product	105.8	68.4
LED	2.0	–
	2,909.1	2,457.7
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	66.7	17.7
Semiconductor distribution	49.8	45.5
Consumer electronic product	19.5	2.4
LED	5.4	(1.9)
	141.4	63.7
<i>Depreciation, amortisation and non-cash items</i>		
Corporate	(1.3)	(0.8)
Semiconductor distribution	(5.5)	(4.0)
Consumer electronic product	(3.0)	(0.1)
LED	(0.0)	–
	(9.8)	(4.9)
Profit before interest and tax	131.6	58.8
Interest expenses	(11.0)	(8.7)
Profit before tax	120.6	50.1
Income tax	1.3	26.9
Profit for the year	121.9	77.0

BUSINESS REVIEW

The Group continued to achieve outstanding growth in its results after the turnaround realised last year. For the year ended 31 March 2011, the Group's turnover increased by 18.3% to HK\$2,909.1 million, up from HK\$2,457.7 million in 2010. The Group recorded a significant increase of 121.9% in EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) of HK\$141.4 million for the year compared to HK\$63.7 million last year. The increase was attributed to improvement in sales from the semiconductor distribution and consumer electronics businesses.

2010 will be remembered as a landmark year in AV Concept's history, and destined to mark a new era of growth for the Group. Confronted by the challenging global economic environment, as well as the complicated and changing economic situation in China, AV Concept accurately grasped developing opportunities in past years, clarified its development direction and fully leveraged the advantages of the Group's strategic presence. The excellent results were also achieved because all of the Group's product segments showed significant improvement over the previous year.

By continuously leveraging its long-term relationship with leading global electronic manufacturers, including Samsung Electronics, Fairchild and other top suppliers, the Group was able to take advantage of market consolidation to strengthen its position, gaining greater market share. Promptly responding to the reviving economic situation, the Group proactively developed its business to capture rising market demand during the year. The Group's results were boosted by an overall improvement in operations together with increase in the fair value on equity investments. The Group achieved net profit of HK\$121.9 million during the review year, representing a year-on-year increase of 58.3% (2010: HK\$77.0 million).

Semiconductor Distribution Business

For the year ended 31 March 2011, turnover of the semiconductor distribution business increased by 17.2% to HK\$2,801.3 million (2010: HK\$2,389.3 million). Despite United Benefits Limited ("UBL") whose sales revenue was not consolidated in financial statements, the Group was managed to expand our distribution business in terms of turnover. During the year, the Group continuously sought to broaden its distribution network, diversify its product mix and expand its customer base. The Group has a very close working relationship with key electronic manufacturers such as Samsung Electronics which stretches over 20 years. This close bond has provided a solid foundation for the Group to increase its market shares while generating sustainable contributions. Moreover, the Group was able to grasp the market trend of raising power conversion efficiency. The earlier introduction of Fairchild's new green products to customers put the Group at a competitive edge. EBITDA for this segment increased to HK\$49.8 million (2010: HK\$45.5 million) during a period in which the product price trend was relatively stable.

In terms of geographical distribution, the Group successfully captured huge demand from the fast growing Indian market with the delivery of traditional components, which has made significant contribution to the Group. Hong Kong and the PRC remain the core strengths of the Group's distribution business. The Group's business also covers other countries in the Asia Pacific, including Singapore and Korea where economies are emerging.

LED Business

Since the acquisition of equity interest in Wavesquare Inc. (“Wavesquare”), Wavesquare has become one of the few manufacturers in the world to supply vertical high brightness blue LED chips. In addition, Wavesquare’s technology enables certain key materials to be reused during the production process, thus it produces high-luminosity LED chips with physical properties comparable with LEDs from leading worldwide producers but at a competitively lower cost.

The three production lines of Wavesquare commenced mass production. The business received encouraging orders, mainly supplying to domestic LED packaging production companies in the PRC. In view of the LED business’ tremendous growth potential, the Group further increased its stake in Wavesquare to 31.84% on 31 March 2011 in order to better capture anticipated business growth, especially in the general lighting market.

Wavesquare, together with LED solutions and Samsung Electronics LED distribution business, turnover of the LED business recorded HK\$2.0 million and this segment managed to increase EBITDA to HK\$5.4 million (2010: negative EBITDA: HK\$1.9 million) for the year ended 31 March 2011.

Consumer Electronic Product Business

Turnover of the consumer electronic products business increased by 54.7% to HK\$105.8 million (2010: HK\$68.4 million). The segment managed to increase EBITDA to HK\$19.5 million (2010: EBITDA: HK\$2.4 million). During the year, the global economy, which includes the Group’s major market, North America, was strong. Among all products, iPhone accessories and headsets were well-received by the market as customers’ demand for associated peripheral electronic products has grown in recent years. The Group sought to capitalise on this advantage, doubling its sales effort as well as stringent cost control measures, which were subsequently rewarded with satisfactory results.

In January 2011, AV Concept subscribed for 75% of the entire issued share capital of Signeo International Limited (“Signeo”) at the subscription price of US\$800,000 (approximately HK\$6,240,000). With Signeo’s expertise in manufacturing professional and consumer audio products, the business prospects of Signeo is expected to bring potential synergies to the Group’s existing business in consumer electronics. Through Signeo, the Group has announced the worldwide launch of its superior new line of personal audio products – SOUL by Ludacris®. In a unique collaboration with the Grammy winning and globally renowned artist, Chris “Ludacris” Bridges, this line will initially introduce five models of high definition headphones that offer the superior sound quality of a professional headphone combined with a distinctive flair for self-expression and individual style. The new product line has received overwhelming response since its pre-launch in Atlanta in October 2010, as well as the unveiling at the 2011 Consumer Electronics Show in Las Vegas.

Separately, Accupix Co. Ltd (“Accupix”), a pioneer in 3D TV glasses technology, which the Group holds approximately 19.68% equity interest in, has tapped demand for 3D TVs, consequently delivering excellent performance and contributed significant profit to the Group during the year. Accupix has commenced mass production of 3D TV shutter glasses since February 2010, and became the exclusive

manufacturer of 3D shutter glasses for LG-Electronics' 3D TVs. In March 2011, Accupix successfully developed passive glasses and subsequently started to supply LG-Electronics with such devices. Accupix is the first 3D glasses supplier that is able to supply both shutter glasses and passive glass to LG Electronics.

PROSPECTS

With over a decade's worth of experience, AV Concept has established a strong and solid foundation in the fast-changing electronics industry, which includes extensive sales and distribution network, close ties with key electronics manufacturers, strong business partnership and diversified product portfolio. Capitalising on stable global economic growth, the Group believes that it will continue to consolidate and strengthen its leading presence in the electronics market in the next financial year.

Looking ahead, the Group's semiconductor distribution business will continue to grow, benefiting from the solid foundation built over the years. With a diversified product portfolio and expanded number of clients, this business segment will be able to further enhance its economies of scale. Earlier this year, the earthquake in Japan temporarily disrupted the supply of components from the country. With the Group's close relationship with manufacturers in Korea, the Group was nevertheless able to maintain a stable supply of needed components after the catastrophe.

Further strengthening its distribution networks, the Group acquired a Korean semiconductor distributor, P&S Semiconductor Co., Ltd. ("P&S") in May 2011. P&S is one of the largest distributors of Fairchild Semiconductor in Korea. The acquisition will help the Group to expand and strengthen its position in the East Asian market. P&S also distributes Fairchild LED power drivers to LED lighting users. Its strong relationship with related customers is expected to generate synergy with the Group's high brightness LED businesses.

For the LED business, supported by efforts from governments around the world, especially the PRC, in promoting environmentalism and development of industries involved in energy conservation by way of tax rebates and so on, the Group is confident that the demand driven by end-users and business potential of its high brightness LED business will be extremely favourable. To tap tremendous market demand for LEDs, Wavesquare will further increase its capacity by three folds to a monthly production capacity of about 15 million chips. The capacity expansion will enable the Group to better capture anticipated business growth, especially in the general lighting market; hence, significant contribution is expected from this business segment in the near future.

The consumer electronic products sector is expected to continue flourishing in tandem with the improving economy and consumers' increasing purchasing power. As always, the Group is able to identify suitable new products in time to satisfy the changing needs of its customers. The new series of high definition headphones under the SOUL brand by Ludacris® has been positively received in the US and Hong Kong, and started to receive encouraging order since April this year. It will also be launched in Korea, Taiwan, and other regions. The Group targets to launch and supply SOUL by Ludacris® worldwide in the near future.

With iPhone dominating the global mobile electronics industry, the management sees huge potential in related accessories and products. The Group plans to provide docking products that are compatible with iPhones and iPods. The management consequently believes that the consumer electronics business will be the Group's growth driver in coming years.

In addition, 3D TV has already become a leading technology owing to the booming 3D contents market led by 3D movies, as well as increasing popularity of 3D-related video games. The 3D TV market presents enormous business potential to the Group which it aims to further tap via its 3D shutter and passive glasses business.

The Group's migration to upstream markets, leveraging by its well-established distribution channels and networks, has enabled it to obtain a favourable margin and huge growth potential. The management maintains a positive outlook towards achieving sustainable long-term business development and growth. The management's vision of delivering high quality products and creating a more advantageous position for its businesses remains unchanged, and will be the basis for enhancing shareholder value in coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 31 March 2011 and the corresponding gearing ratio are shown as follows:

	2011 <i>HK\$'million</i>	2010 <i>HK\$'million</i>
Bank debts	<u>507.3</u>	<u>369.1</u>
Cash and cash equivalents	287.4	151.8
Equity investments at fair value through profit or loss	<u>223.3</u>	<u>104.8</u>
Cash and cash equivalents and equity investments	<u>510.7</u>	<u>256.6</u>
Total equity	<u>679.3</u>	<u>381.1</u>
Total debt to total equity	<u>75%</u>	<u>97%</u>

As at 31 March 2011, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$287.4 million (2010: HK\$151.8 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$223.3 million (2010: HK\$104.8 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 31 March 2011 was 75% (2010: 97%), while the Group's total equity as at 31 March 2011 was HK\$679.3 million (2010: HK\$381.1 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2011 of HK\$510.7 million (2010: HK\$256.6 million).

The working capital position of the Group remains healthy. As at 31 March 2011, the liquidity ratio was 148% (2010: 129%).

	2011 <i>HK\$'million</i>	2010 <i>HK\$'million</i>
Current assets	1,037.8	621.3
Current liabilities	(702.4)	(482.5)
Net current assets	335.4	138.8
Current assets to current liabilities (%)	148%	129%

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the details of issue of the shares as follows:

Date	Nature of Transaction	Number of Shares Issued	Price per Share	Aggregate Consideration
26 May, 2010	Placing of shares	57,000,000	HK\$1.05	HK\$59.9 million
17 December, 2010	Placing of shares	97,200,000	HK\$1.62	HK\$157.5 million

CORPORATE GOVERNANCE

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2011. The Corporate Governance Report set out in the 2011 Annual Report serves to keep our shareholders and stakeholders abreast of our corporate governance practices and policies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2011.

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 three Independent Non-executive Directors, namely Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit, have 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 2011.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled on Monday, 1 August 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 29 July 2011 to Monday, 1 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 July 2011.

DIVIDENDS

An interim dividend of HK3 cents per ordinary share was paid on 17 December 2010. The directors recommended the proposed payment of final dividend of HK4 cents per ordinary share is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 9 August 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 5 August 2011 to Tuesday, 9 August 2011 and no transfer of shares will be effected on such date. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Thursday, 4 August 2011. The payment of final dividend will be made on Friday, 26 August 2011.

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 2011 containing all the information required by the Listing Rules will be dispatched 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, 20 June 2011

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