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AV CONCEPT ANNOUNCES FY2005/06 ANNUAL RESULTS

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STRATEGICALLY RESTRUCTURED BUSINESS MODEL

CAPTURING NEW MARKET POTENTIAL TO COMPLEMENT LONG TERM BUSINESS GROWTH

(Hong Kong, 25 July 2006) – Leading electronics distributor and manufacturer **AV Concept Holdings Limited** (“AV Concept” or the “Group”) (stock code: 595) today announced its annual results for the year ended 31 March 2006.

FY2005/06 was of strategic importance to AV Concept. Attributable to the growth in semiconductor distribution, and the increasing contribution from the high-margin special-care electronics business segment, the Group recorded turnover of approximately HK\$2,452.2 million, representing a growth of 7% over last year’s. Profit attributable to shareholders amounted to HK\$8.3 million. (FY2004/05: HK\$201.1 million). Termination of the MP3 design and manufacturing business resulted in a negative EBIDA of HK\$54.9 million and non-cash losses of HK\$33.9 million. The Group, however, recorded a net pre-tax gain of HK\$37.5 million on disposal of all the rest of the investment in Reigncom Limited (FY2004/05: Net pre-tax gain of HK\$197.7 million). Another disposal gain of HK\$39.6 million was recorded from the disposal of its 50% equity interests in AV BreconRidge (previously “AV Chaseway Limited”) to the Group’s long-term business partner and Canadian EMS manufacturer BreconRidge Manufacturing Solutions Corporation. Excluding the above non-recurring items, EBITDA of the Group’s core businesses for the financial year increased about 26% to HK\$47.4 million.

Mr So Yuk Kwan, Chairman of AV Concept, said, “Recognizing the changing environment that AV Concept operates in, we chose to restructure part of our existing business model to encompass new manufacturing and distribution interests with the aim of opening fresh avenues for growth. We decided to exit from the MP3 market owing to fierce competition, rising marketing costs and competitive pricing which adversely affected revenues. Understanding the importance of directing focus towards sectors with greater margins and growth potential as well as higher entry barriers that limit competition, we decide to diversify our business to the niche medical and special-care product market.”

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Marketing and Distribution

During the year under review, the marketing and distribution business remained as the Group's cash cow business and core revenue contributor accounting for 89% of the total turnover. The segmental turnover grew 16% to reach HK\$2,178.9 million.

Despite that the market was competitive, backed by the long term and stable relationships it has with Samsung, Fairchild and other suppliers, an extensive distribution network and experienced marketing and sales workforce, the Group was able to exploit the continuously growing demand for semiconductors used in PRC manufactured digital products for export. EBITDA for the segment amounted to HK\$ 47.4 million, 26% higher than that of last year, while segmental profit increased 44% to HK\$42.8 million.

With in-depth product knowledge and engineering know-how, the Group's in-house engineering team will continue to offer technical design and engineering support to customers, setting itself apart from its competitors. AV Concept will remain as one of the largest distributors of Samsung Electronics semi-conductor products in Hong Kong and the PRC, and the segment will continue to provide stable and substantial income for Group's future developments.

Design and Manufacturing

For the design and manufacturing business, turnover for the year decreased by 33% to HK\$273.3 million due to severe competition. Negative EBITDA for the segment was HK\$ 54.9 million, while segmental loss was HK\$ 84.3 million. The difference was largely due to the HK\$33.9 million non-cash losses in relation to the MP3 business.

Seeing the many challenges faced by the MP3 market, the management decided to exit MP3 business and direct its focus on to the niche special-care electronics market. Since 2003, the Group has been developing special-care electronics products. This market is characterized by relatively longer product cycles, higher profit margins and entry barriers. The Group's existing customers in this market segment are mainly from North America, and its key client is the world's largest supplier of low-vision-aid products. The business segment has been delivering encouraging performance and orders from existing customers have been persistently increasing. Thus, the Management decided to devote more efforts to develop this line of business, targeting for overall margin enhancement and long-term profitability.

Mr So continued, "We see great potential in the development, manufacture and distribution of medical devices and equipment targeting the elderly and special needs population. The new area of business will be built on our long involvement in the design and manufacture of special-care electronics products – a field of expertise that continues to possess strong potential for growth."

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Looking ahead, the Group will strive to expand market share for the electronics distribution business so as to maintain its position as a leading semiconductors distributor in Asia for Samsung Electronics and Fairchild's products. On the other hand, the design and manufacturing business will focus on high margin products targeting niche markets such as the special-care electronics product market. The Management believes market demand for such products will surge as governments worldwide become increasingly aware of their responsibility to provide financial aid to the needy for purchasing these products.

On top of manufacturing niche special-care products, the Group will also diversify into the distribution of quality medical equipments to hospitals and clinics in the PRC and Asia. The Group has already secured exclusive distributorships for the balanceback™ equipments in Asia and for a range of quality Korean medical equipments in the PRC. The Management anticipates high demand from PRC cities as medical services improve at the push of provincial governments. In addition, Korean medical equipments are far more affordable than those made in Japan, the US and Europe, and at the same time, of better quality than local products. Backed by an experienced sales and marketing team, plus AV Concept's experience in working with Korean business partners, the Management is optimistic about the development of the new business segment.

Mr So concluded, "Adhering to the new business focus, we are confident of achieving sustainable growth for AV Concept in the long run. With the electronics distribution business continuing to contribute stable income, and the new niche market businesses driving future growth, we are committed to bringing satisfactory returns to our shareholders."

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About AV Concept Holdings Limited

AV Concept Holdings Limited is a dynamic and fast growing electronics group listed on Hong Kong Stock Exchange. The Group's businesses include the sale and distribution of electronic components and medical equipments; and the design and manufacture of niche special-care electronics products. Its wholly owned subsidiary – AV Concept Limited – is one of Asia's leading electronic component distributors for Samsung Electronics and Fairchild Semiconductors. It is also a "One-stop Service Provider" with strong ability and intelligence in sourcing all kinds of application software designs and electronic components that match customer needs. Headquartered in Hong Kong with major sales offices in Shenzhen, Shanghai, Singapore, Malaysia, the Philippines, Indonesia and India, AV Concept Limited boasts a comprehensive distribution network and strong sales expertise in China and the South East Asia region. Visit AV Concept at www.avconcept.com

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