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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

YEAR ENDED 31 MARCH 2009 ANNUAL RESULTS ANNOUNCEMENT

Income Statement Highlights		
	2009 <i>HK\$' million</i>	2008 <i>HK\$' million</i>
Revenue		
– Marketing and distribution	1,958.4	2,845.1
– Design and development	54.9	63.5
– Jointly-controlled entity	–	15.4
	<u>2,013.3</u>	<u>2,924.0</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(71.6)	(2.6)
– Marketing and distribution	26.0	27.0
– Design and development	(1.0)	1.5
– Jointly-controlled entity	–	(2.7)
	<u>(46.6)</u>	<u>23.2</u>
Depreciation, amortisation and non-cash items	<u>(4.9)</u>	<u>4.3</u>
Profit/(loss) for the year	<u>(66.3)</u>	<u>4.3</u>
Dividends		
– Interim	–	8.6
– Proposed final	–	4.2
	<u>–</u>	<u>12.8</u>
Balance Sheet Highlights		
	2009 <i>HK\$' million</i>	2008 <i>HK\$' million</i>
Total assets	765.2	971.8
Total assets less current liabilities	282.0	360.1
Total equity	276.7	352.1
Bank debts	<u>309.3</u>	<u>437.0</u>
Cash and cash equivalents	146.3	121.4
Equity investments at fair value through profit or loss	<u>72.4</u>	<u>174.4</u>
Cash and cash equivalents and equity investments	<u>218.7</u>	<u>295.8</u>
Net debt	<u>90.6</u>	<u>141.2</u>
Net debt to total equity (%)	33%	40%
Current assets to current liabilities (%)	130%	136%
Cash and cash equivalents and equity investments per share (HK\$)	0.53	0.71
Total equity per share (HK\$)	0.67	0.85

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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	<i>Notes</i>	2009 HK\$'000	2008 <i>HK\$'000</i>
REVENUE	3	2,013,299	2,924,054
Cost of sales		(1,910,280)	(2,812,425)
Gross profit		103,019	111,629
Other income and gains	3	11,625	8,996
Selling and distribution costs		(25,484)	(36,829)
Administrative expenses		(61,454)	(62,264)
Net gain on disposal of a jointly-controlled entity and a warrant		—	17,669
Equity-settled share option expense		—	(3,300)
Fair value gains/(losses) on equity investments at fair value through profit or loss		(60,716)	4,637
Other expenses		(15,194)	(13,063)
Finance costs	5	(11,634)	(21,728)
Share of losses of associates		(3,344)	(35)
PROFIT/(LOSS) BEFORE TAX	4	(63,182)	5,712
Tax	6	(3,127)	(1,460)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(66,309)	4,252
DIVIDENDS	7		
Interim		—	8,632
Proposed final		—	4,150
		—	12,782
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		(16.0 cents)	1.0 cent
Diluted		N/A	1.0 cent

CONSOLIDATED BALANCE SHEET

31 March 2009

		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		67,644	70,563
Other intangible assets		1,555	1,647
Interests in associates		38,164	29,545
Available-for-sale investments	9	19,818	18,262
Convertible note receivable – loan portion	10	–	22,718
Deposit for an investment property		11,864	–
Total non-current assets		139,045	142,735
CURRENT ASSETS			
Convertible note receivable – loan portion	10	25,301	–
Inventories	11	157,694	252,001
Trade and bills receivables	12	215,006	255,197
Prepayments, deposits and other receivables		9,464	26,070
Equity investments at fair value through profit or loss	13	72,392	174,370
Time deposits		49,765	31,402
Cash and bank balances		96,564	90,006
Total current assets		626,186	829,046
CURRENT LIABILITIES			
Trade payables and accrued expenses	14	135,621	143,913
Due to a related company		589	1,458
Interest-bearing bank borrowings		303,939	429,071
Finance lease payables		202	301
Tax payable		42,902	36,952
Total current liabilities		483,253	611,695
NET CURRENT ASSETS		142,933	217,351
TOTAL ASSETS LESS CURRENT LIABILITIES		281,978	360,086

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		5,010	7,314
Finance lease payables		107	338
Deferred tax liability		169	358
Total non-current liabilities		5,286	8,010
Net assets		276,692	352,076
EQUITY			
Issued capital		41,252	41,499
Reserves		235,440	306,427
Proposed final dividend	7	–	4,150
Total equity		276,692	352,076

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, 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, 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 and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

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

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) **HK(IFRIC)-Int 12 *Service Concession Arrangements***

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(c) **HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect 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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 1 (Revised)	<i>First-time Adoption of HKFRSs</i> ²
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i> ¹
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ²
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement- Embedded Derivatives</i> ⁵
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ³
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁴
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ²
HK(IFRIC)-Int 18	<i>Transfer of Assets from Customers</i> ⁶

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods ending on or after 30 June 2009

⁶ Effective for transfers of assets from customers received on or after 1 July 2009

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 7, HKFRS 8, HKAS 1, HKAS 7, HKAS 8, HKAS 10, HKAS 16, HKAS 17, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40, HKAS 41, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

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 HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, 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

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 development segment engages in the design, development and sale of electronic products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

	Marketing and distribution		Design and development		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	1,958,404	2,845,112	54,895	78,942	-	-	2,013,299	2,924,054
Intersegment sales	12,054	14,165	235	2,659	(12,289)	(16,824)	-	-
Other income and gains	2,447	295	1,583	2,321	-	-	4,030	2,616
	<u>1,972,905</u>	<u>2,859,572</u>	<u>56,713</u>	<u>83,922</u>	<u>(12,289)</u>	<u>(16,824)</u>	<u>2,017,329</u>	<u>2,926,670</u>
Segment results	<u>30,103</u>	<u>23,454</u>	<u>(1,381)</u>	<u>(8,981)</u>	<u>-</u>	<u>-</u>	<u>28,722</u>	<u>14,473</u>
Bank interest income							477	3,940
Interest income from a convertible note receivable							2,583	-
Dividend income from listed investments							1,359	1,115
Management fee income from associates							3,171	-
Loss on disposal of a subsidiary	-	-	-	(32)	-	-	-	(32)
Share of losses of associates							(3,344)	(35)
Net gain on disposal of a jointly-controlled entity and a warrant	-	-	-	17,669	-	-	-	17,669
Fair value gains/(losses) on equity investments at fair value through profit or loss							(60,716)	4,637
Gain/(loss) on disposal of items of property, plant and equipment							5	(438)
Reversal of impairment/ (impairment) of items of property, plant and equipment							(336)	1,325
Equity-settled share option expense							-	(3,300)
Impairment of an other receivable							(3,562)	-
Unallocated expenses							(19,907)	(11,914)
Finance costs							(11,634)	(21,728)
Profit/(loss) before tax							(63,182)	5,712
Tax							(3,127)	(1,460)
Profit/(loss) for the year							<u>(66,309)</u>	<u>4,252</u>

(a) **Business segments (continued)**

	Marketing and distribution		Design and development		Consolidated	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets and liabilities						
Segment assets	479,535	580,526	16,547	48,231	496,082	628,757
Unallocated assets					269,149	343,024
Total assets					765,231	971,781
Segment liabilities	131,674	112,046	3,109	30,298	134,783	142,344
Unallocated liabilities					353,756	477,361
Total liabilities					488,539	619,705
Other segment information:						
Depreciation	1,716	2,212	93	2,685	1,809	4,897
Unallocated depreciation					3,137	2,544
					4,946	7,441
Amortisation of other intangible assets	–	–	5	5	5	5
Unallocated amortisation of other intangible assets					31	34
					36	39
Impairment of trade receivables	2,613	602	–	415	2,613	1,017
Capital expenditure	1,073	2,749	77	1,207	1,150	3,956
Unallocated capital expenditure					3,231	70
					4,381	4,026

(b) 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 2009 and 2008.

	Hong Kong		Mainland China		Singapore		Korea		Other locations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	1,528,545	2,022,587	1,634	–	431,613	822,525	28,841	31,189	22,666	47,753	2,013,299	2,924,054
Other segment information:												
Segment assets	680,792	835,463	14,234	14,557	70,205	121,761	–	–	–	–	765,231	971,781
Capital expenditure	3,373	3,816	14	–	994	210	–	–	–	–	4,381	4,026

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	
	2009	2008
	HK\$'000	HK\$'000
Revenue		
Marketing and distribution of electronic components	1,958,404	2,845,112
Design, development and sale of electronic products	54,895	78,942
	2,013,299	2,924,054
Other income and gains		
Bank interest income	477	3,940
Interest income from a convertible note receivable	2,583	–
Dividend income from listed investments	1,359	1,115
Reversal of impairment of items of property, plant and equipment	–	1,325
Gain on disposal of items of property, plant and equipment	5	–
Management fee income from associates	3,171	–
Management fee income from a related company	240	–
Insurance claim for damaged inventories	1,458	–
Others	2,332	2,616
	11,625	8,996

4. PROFIT/(LOSS) BEFORE TAX

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

	<i>Note</i>	2009 HK\$'000	2008 <i>HK\$'000</i>
Cost of inventories sold		1,904,280	2,771,572
Depreciation		4,946	7,441
Amortisation of other intangible assets*		36	39
Impairment of trade receivables**	12	2,613	1,017
Impairment of an other receivable**		3,562	–
Impairment of slow moving inventories*		2,726	2,377
Minimum lease payments under operating leases in respect of land and buildings		1,971	2,228
Auditors' remuneration		1,589	1,672
Staff costs (including directors' remuneration):			
Wages and salaries		52,236	58,223
Pension scheme contributions		1,617	777
Equity-settled share option expense		–	3,300
		53,853	62,300
Fair value losses/(gains) on equity investments at fair value through profit or loss		60,716	(4,637)
Foreign exchange differences, net**		3,316	1,630
Loss/(gain) on disposal of items of property, plant and equipment		(5)	438
Bank interest income		(477)	(3,940)
Interest income from a convertible note receivable		(2,583)	–
Dividend income from listed investments		(1,359)	(1,115)
Reversal of impairment of items of property plant and equipment		–	(1,325)
Impairment of items of property, plant and equipment**		336	–
Loss on disposal of a subsidiary		–	32

* 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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	11,364	21,075
Interest on a mortgage loan	223	533
Interest on finance leases	47	120
	11,634	21,728

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	Group	
	2009	2008
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	4,164	1,806
Under/(over) provision in prior years	(848)	232
Deferred	(189)	(578)
Total tax charge for the year	3,127	1,460

7. DIVIDENDS

	2009	2008
	HK\$'000	HK\$'000
Interim – Nil (2008: HK2 cents) per ordinary share	–	8,632
Proposed final – Nil (2008: HK1 cent) per ordinary share	–	4,150
	–	12,782

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 profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares 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.

Diluted loss per share amount for the year ended 31 March 2009 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009 HK\$'000	2008 HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	<u>(66,309)</u>	<u>4,252</u>
	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	413,947,115	422,156,868
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>–</u>	<u>483,301</u>
	<u>413,947,115</u>	<u>422,640,169</u>

9. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity investments, at cost	19,818	18,262

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.

10. CONVERTIBLE NOTE RECEIVABLE – LOAN PORTION

At 31 March 2009, 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 conferred rights to the bearer to convert the whole or part of the outstanding principal amount into shares of the private company at a conversion price of US\$0.6 per share. The convertible note bears interest at a rate of 8% per annum.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date of the convertible note on 31 August 2009. The convertible note shall be mandatorily redeemed by the issuer on 31 August 2009 at the outstanding principal amount together with interest accrued.

Subsequent to balance sheet date, on 1 June 2009, the private company issued a convertible note of US\$3,000,000 to the Group in consideration of the delivery of the convertible note held by the Group as at the balance sheet date for cancellation. The note bears interest at a rate of 12% per annum and is repayable by the issuer by monthly installments starting from 31 August 2009. The note can be redeemed by the issuer at its face value until the maturity date on 30 November 2010.

11. INVENTORIES

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	2,811	7,895
Finished goods	154,883	244,106
	157,694	252,001

12. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK\$'000	HK\$'000
Trade receivables	212,932	256,363
Impairment	(1,294)	(1,166)
	211,638	255,197
Bills receivable discounted with recourse	3,368	—
	215,006	255,197

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.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Current	138,900	146,173
1 to 30 days	59,798	58,570
31 to 60 days	5,027	26,928
Over 60 days	9,207	24,692
	212,932	256,363

An aged analysis of the bills receivable as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Current	3,368	–

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
At 1 April	1,166	616
Impairment losses recognised (<i>note 4</i>)	2,613	1,017
Amount written off as uncollectible	(2,485)	–
Disposal of a subsidiary	–	(467)
	1,294	1,166

The above provisions are 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.

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Neither past due nor impaired	138,662	146,173
Less than 1 month past due	59,719	58,468
1 to 3 months past due	4,843	26,928
3 to 6 months past due	8,414	23,628
	211,638	255,197

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.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK\$'000	HK\$'000
Managed funds, outside Hong Kong, at market value	34,582	102,995
Listed equity investments, at market value:		
Hong Kong	30,159	47,564
Elsewhere	7,651	23,811
	72,392	174,370

The above equity investments at 31 March 2008 and 2009 were classified as held for trading.

14. TRADE PAYABLES AND ACCRUED EXPENSES

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Trade payables:		
Current	57,628	85,639
1 to 30 days	46,641	25,630
31 to 60 days	–	1,018
Over 60 days	15,590	–
	119,859	112,287
Accrued expenses	15,762	31,626
	135,621	143,913

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.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the year ended 31 March 2009, with the comparative figures for the corresponding financial year of 2008.

	2009 <i>HK\$' million</i>	2008 <i>HK\$' million</i>
Revenue		
Marketing and distribution	1,958.4	2,845.1
Design and development	54.9	63.5
Jointly-controlled entity	<u>–</u>	<u>15.4</u>
	<u>2,013.3</u>	<u>2,924.0</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(71.6)	(2.6)
Marketing and distribution	26.0	27.0
Design and development	(1.0)	1.5
Jointly-controlled entity	<u>–</u>	<u>(2.7)</u>
	<u>(46.6)</u>	<u>23.2</u>
Depreciation, amortisation and non-cash items		
Corporate	(0.6)	–
Marketing and distribution	(4.2)	(4.5)
Design and development	(0.1)	(1.8)
Jointly-controlled entity	–	(3.8)
Equity-settled share option expense	–	(3.3)
Net gain on disposal of a jointly-controlled entity and a warrant	<u>–</u>	<u>17.7</u>
	<u>(4.9)</u>	<u>4.3</u>
Profit/(loss) before interest and tax	(51.5)	27.5
Interest expenses	<u>(11.7)</u>	<u>(21.7)</u>
Profit/(loss) before tax	(63.2)	5.8
Tax	<u>(3.1)</u>	<u>(1.5)</u>
Profit/(loss) for the year	<u>(66.3)</u>	<u>4.3</u>

BUSINESS REVIEW

For the year ended 31 March 2009, the Group's turnover amounted to HK\$2,013.3 million, representing a decline of 31% against last year (2008: HK\$2,924.0 million). EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) for the year dropped from HK\$23.2 million last year to a loss of HK\$46.6 million this year. The decrease in EBITDA was primarily due to the international financial tsunami in the fourth quarter of 2008, giving an unprecedented impact to each country and the worldwide economy. The export of electronic products was deeply affected, and with a decline in the fair value on equity investments at fair value through profit or loss, the Group suffered a loss for the year ended 31 March 2009.

During the year, competition in the flash memory market was still keen. Market consolidated while weaker competitors exited from the market, the Group has taken a more advantageous and competitive position. Although the turnover of our marketing and distribution business has dropped, the Group was able to obtain a higher profit margin due to less competitive environment.

In view of the change in the market, the Group started to actively develop a diversified product mix since last year. In October of 2007, the Group acquired 18.9% equity interest of a Korea based company, Wavesquare Inc. ("Wavesquare"), (the Group held 18.74% of the share capital of Wavesquare as at 31 March 2009) and started to enter the high brightness Light Emitting-diode ("LED") wafer business. During the year, the business was still in the investment phase but the pace of development was satisfactory.

During the year, worldwide economy was affected by the international financial tsunami. Neither exports nor investment markets were exempted and each business of the Group suffered different degrees of impact. The decline in the fair value on equity investments at fair value through profit or loss has negatively affected the Group's results. Net profit dropped from HK\$4.3 million to a net loss of HK\$66.3 million.

The Group's financial performance for the year was mainly affected by:

- After the exit of weaker competitors, the profit margin in flash memory market improved but the business environment was still challenging.
- Newly developed high brightness LED wafer business was still in the investment, research and development phase and not yet contributed to the operating profit.
- After exit from the manufacturing business, the Group focused on the design and development business. However due to the adverse effect of the financial turmoil in the major North America market, the revenue of niche market electronics and special care products for the elderly and customers with special needs dropped and therefore generated a loss in the design and development business.
- The decline in the fair value on equity investments at fair value through profit or loss.

Marketing and Distribution Business

For the year ended 31 March 2009, turnover of this business segment decreased by 31% to HK\$1,958.4 million (2008: HK\$2,845.1 million). Following the US economy affected by the financial tsunami, demand of flash memory products further decreased and market consolidated. Many distributors exited from the market and after weaker competitors exited, competition eased, the Group was able to take a more advantageous market position. Although the relevant turnover decreased, profit margin was improved. Under the effect, EBITDA of this segment lowered to HK\$26.0 million (2008: HK\$27.0 million).

After the market consolidation last year, the Group rode on our extensively established distribution network and long term relationship with leading global electronics manufacturers including Samsung Electronics, Fairchild and other suppliers, the Group was able to take advantage of the opportunity to seize a bigger market share and improved profit margin.

The Group has been actively diversifying its distribution product mix and expanding its customer base to maintain the margin of the business in the market undergoing consolidation. The move was consistent with the Group's focus on distributing products with higher margins and longer life spans. During the year, non-memory products continued to record stable and satisfactory growth. Meanwhile, the Group will further strengthen the local distribution business and diversify the products' market.

The Group started to invest in Korea Wavesquare in 2007 and expanded into the high brightness LED wafer product market. During the year, the business was still in investment, research and development stage but the pace of development was satisfactory and we believe that the business will provide positive contribution in the coming year.

Design and Development Business

After the Group fully withdrew from the manufacturing business, we focused on the design and development business and developed higher margin with longer life span products. As an aftermath of the international financial tsunami in the economy in our major market, North America, the performance of this segment deteriorated and recorded a loss of HK\$1.0 million in EBITDA. (2008: segmental positive EBITDA was HK\$1.5 million). Under the effect of the financial tsunami, dedicated electronic product markets are adversely affected. Sales of niche market electronics and special care products for the elderly and customers with special needs decreased. Turnover (excluding the share of turnover of a jointly-controlled entity) dropped from HK\$63.5 million to HK\$54.9 million.

During the year under review, sales performance of special care electronics was dissatisfactory. However, with the aging global population, we believe the demand for medical and healthcare equipment will resume growth upon stabilization of the economy. With the world's largest supplier of low-vision-aid products as one of its key clients, the Group sees strong potential in this business and will continue developing the segment to grasp the opportunities on it. We are confident that the business will help to boost the profit of the Group.

PROSPECTS

The Group has about a 30-year strong foothold in the electronics industry. It has come through testing times and changes in the market over the years, with the support of an extensive network, strong business partnership and the ability to spot business opportunities with strong potential. With these advantages and on the solid foundation it has built, the Group will steadily go forward and further strengthen our leadership in the market in the years ahead.

Since April 2009, the impact of the financial turmoil to the global investment markets has eased and there was a significant up-rise in the performance of the United States, China and Hong Kong's investment markets. The sentiment in global investment markets has become more optimistic and this helped the Group to reduce the loss due to the decline in the fair value on equity investments at fair value through profit or loss.

Marketing and Distribution Business

Although the financial turmoil is not yet over, the Group believes that market has passed the worst situation. The Asia region, especially China's economy, will firstly recover from the impact of the economic turmoil.

For this segment, the Group will continue to consolidate and diversify its product mix and expand the product portfolio of non-memory and memory related products, adding especially new products with higher margins. At the same time, the Group will focus on further developing the Asian market including Greater China, Korea, Japan, etc. to lessen the adverse effect of the slump in North America's export. Apart from expanding the distribution clientele, the Group will also strive to gain new orders from existing customers by offering them enticing value-added services.

The valuation of our investment in Wavesquare's high brightness LED wafer businesses has substantially appreciated and it is expected that it will start mass production in the second quarter of the financial year 2009/2010 and will launch its products into the market in the third quarter. The business is expected to start providing positive contribution to our results.

Being used in indoor, outdoor and vehicles illumination, high brightness LED wafer can provide higher brightness and consume less energy than traditional lighting. It is a type of environment friendly and high efficiency energy saving product with huge market demand. The target of GDP for the China government is 8% this year and in order to cope with the impact of the financial tsunami on the exports, China government announced an economy stimulation scheme in trillions of Renminbi and a series of measures to stimulate the domestic demand. One of the major initiatives is to promote environmental protection and energy saving industries. It is expected that the real estate and automotive markets will be the major sectors benefited from the domestic demand stimulation and economic recovery scheme. Therefore, we expect that the market demand in environmental friendly and energy saving LED wafer products which can be used in the real estate and automotive illumination will increase substantially.

Wavesquare's LED wafer technology has been researched and developed for eight years. Result of tests performed on their products by the Group shows that their technology is the most advanced among the suppliers in the world. Wavesquare possesses a dominating advantage in this technology. The Group plans to distribute all Wavesquare's products in Asia region and has become the exclusive distributor of all Wavesquare's LED products in Hong Kong, Mainland China, Macau and Taiwan.

The Group expects that the sales of LED wafer in China will obtain a satisfactory growth in the coming years, hence improving the Group's overall net profit. In the third quarter of the financial year 2009/2010, we expect the segment to be able to achieve a breakeven.

Backed by a proven distribution network, a diverse product portfolio and an experienced sales and marketing workforce, the Group is confident of becoming a "one-stop" service platform that can deliver a selection of components to meet different needs of its customers.

The Group will continue to implement stringent cost control measures including tightening credit/inventory control and diversifying its distribution portfolio to improve cash flow and reduce the effect on cost brought by the financial turmoil and hence to obtain greater cost effectiveness, enhance profit margin and grow market share.

Design and Development Business

Enjoying long-standing working relationship with the top special-care electronics producer in the world, the Group is equipped to capture the potential in the niche market. Although this market does not generally pose fast growth and is facing the negative impact of the financial tsunami on the economy, with an aging global population and hence a growing market demand, it has high entry barriers and boosts high profit margins favourable for established players. As governments worldwide including Asia become increasingly aware of their responsibilities to provide financial aid to the needy for purchasing the special care products, the Group is poised to capture demand in the region riding on its extensive distribution network.

The Group is also actively opening up new markets for its products. In the mean time, the Group has obtained relevant certification in Korea for its healthcare products and is about to expand to the Korean market. There are also plans to enter other Asian markets which can bring a much diversified revenue to the Group.

Group

Going forward, the Group will continue to expand its distribution portfolio, develop LED wafer products to satisfy the growing market demands for environmental and energy saving products, and grasp suitable opportunities for the design and development business in the fast-changing electronics market. The Group will also continue to look for niche investment ventures with good returns to enhance our shareholders' value in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 31 March 2009 and the corresponding gearing ratio are shown as follows:

	2009 <i>HK\$' million</i>	2008 <i>HK\$' million</i>
Bank debts	309.3	437.0
Cash and cash equivalents	146.3	121.4
Equity investments at fair value through profit or loss	72.4	174.4
Cash and cash equivalents and equity investments	218.7	295.8
Net debt	90.6	141.2
Total equity	276.7	352.1
Net debt to total equity	33%	40%

As at 31 March 2009, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$146.3 million (2008: HK\$121.4 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$72.4 million (2008: HK\$174.4 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 2009 was 33% (2008: 40%), while the Group's total equity as at 31 March 2009 was HK\$276.7 million (2008: HK\$352.1 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2009 of HK\$218.7 million (2008: HK\$295.8 million).

The working capital position of the Group remains healthy. As at 31 March 2009, the liquidity ratio was 130% (2008: 136%).

	2009 <i>HK\$' million</i>	2008 <i>HK\$' million</i>
Current assets	626.2	829.0
Current liabilities	(483.3)	(611.7)
Net current assets	142.9	217.3
Current assets to current liabilities (%)	130%	136%

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

During the year, the Company purchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. The summary of those transactions are as follows:

Date	Number of shares repurchases	Price per share		Total price paid
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
22 October 2008	500,000	0.200	0.200	100,000
23 October 2008	150,000	0.200	0.200	30,000
24 October 2008	128,000	0.200	0.199	25,572
27 October 2008	320,000	0.190	0.190	60,800
28 October 2008	430,000	0.190	0.189	81,400
29 October 2008	728,000	0.194	0.190	140,040
30 October 2008	74,000	0.194	0.194	14,356
10 November 2008	140,000	0.185	0.185	25,900
	2,470,000			478,068

All the shares repurchased by the Company were cancelled by the Company and, accordingly, the issued capital of the Company was reduced by the nominal value of these shares. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the premium payable on the repurchase was charged against the share premium account. The repurchases were effected by the Directors for the enhancement of the shareholders' value in the long term.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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 2009. 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 2009.

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 2009.

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, 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 2009.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: HK1 cent).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 25 August 2009 to Monday, 31 August 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 August 2009.

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 2009 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, 22 July 2009

As at the date of this announcement, the Board comprises two executive Directors, Mr. So Yuk Kwan (Chairman) 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.