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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

YEAR ENDED 31 MARCH 2010 ANNUAL RESULTS ANNOUNCEMENT

Income Statement Highlights

	2010 HK\$'million	2009 HK\$'million
Revenue		
– Marketing and distribution	2,389.3	1,958.4
– Product design and development	68.4	54.9
	<u>2,457.7</u>	<u>2,013.3</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	17.7	(71.6)
– Marketing and distribution	46.6	26.0
– Product design and development	(0.6)	(1.0)
	<u>63.7</u>	<u>(46.6)</u>
Depreciation, amortisation and non-cash items	<u>(4.9)</u>	<u>(4.9)</u>
Profit/(loss) for the year	<u>77.0</u>	<u>(66.3)</u>
Dividends		
– Interim	14.0	–
– Proposed final	20.9	–
	<u>34.9</u>	<u>–</u>

Statement of Financial Position Highlights

Total assets	871.2	765.2
Total assets less current liabilities	388.7	282.0
Total equity	381.1	276.7
Bank debts	369.1	309.3
Cash and cash equivalents	151.8	146.3
Equity investments at fair value through profit or loss	104.8	72.4
Cash and cash equivalents and equity investments	256.6	218.7
Net debt	<u>112.5</u>	<u>90.6</u>
Net debt to total equity (%)	30%	33%
Current assets to current liabilities (%)	129%	130%
Cash and cash equivalents and equity investments per share (HK\$)	0.33	0.53
Total equity per share (HK\$)	0.82	0.67

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 2010, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
REVENUE	3	2,457,688	2,013,299
Cost of sales		<u>(2,331,673)</u>	<u>(1,910,280)</u>
Gross profit		126,015	103,019
Other income and gains	3	15,828	11,625
Selling and distribution costs		(28,913)	(25,484)
Administrative expenses		(72,122)	(61,454)
Fair value gains/(losses) on equity investments			
at fair value through profit or loss, net		39,918	(60,716)
Fair value loss on a derivative financial instrument			
at fair value through profit or loss		(6,698)	—
Other expenses		(17,202)	(15,194)
Finance costs	5	(8,721)	(11,634)
Share of profits and losses of:			
a jointly-controlled entity		1,061	—
associates		<u>992</u>	<u>(3,344)</u>
PROFIT/(LOSS) BEFORE TAX	4	50,158	(63,182)
Income tax	6	<u>26,859</u>	<u>(3,127)</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>77,017</u>	<u>(66,309)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>17.8 cents</u>	<u>(16.0 cents)</u>
Diluted		<u>17.7 cents</u>	<u>N/A</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 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>77,017</u>	<u>(66,309)</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax	<u>3,938</u>	<u>(4,447)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>80,955</u>	<u>(70,756)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		68,245	67,644
Investment property		22,679	—
Other intangible assets		1,567	1,555
Interest in a jointly-controlled entity		32,638	—
Interests in associates		61,781	38,164
Available-for-sale investments	9	45,924	19,818
Deposit for an investment property		—	11,864
Other deposit		17,050	—
Total non-current assets		249,884	139,045
CURRENT ASSETS			
Convertible note receivable – loan portion	10	22,516	25,301
Inventories	11	106,355	157,694
Trade and bills receivables	12	209,889	215,006
Prepayments, deposits and other receivables		20,130	9,464
Due from a related company		5,759	—
Equity investments at fair value through profit or loss	13	104,843	72,392
Time deposits		17,421	49,765
Cash and bank balances		134,395	96,564
Total current assets		621,308	626,186
CURRENT LIABILITIES			
Trade payables and accrued expenses	14	99,372	135,621
Due to a related company		—	589
Interest-bearing bank borrowings		368,116	303,939
Finance lease payables		224	202
Tax payable		9,154	42,902
Financial guarantee obligation	15	5,591	—
Total current liabilities		482,457	483,253
NET CURRENT ASSETS		138,851	142,933
TOTAL ASSETS LESS CURRENT LIABILITIES		388,735	281,978
NON-CURRENT LIABILITIES			
Derivative financial instrument	16	6,698	—
Interest-bearing bank borrowings		—	5,010
Finance lease payables		729	107
Deferred tax liability		231	169
Total non-current liabilities		7,658	5,286
Net assets		381,077	276,692
EQUITY			
Issued capital		46,636	41,252
Reserves		313,507	235,440
Proposed final dividends	7	20,934	—
Total equity		381,077	276,692

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, 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

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 2010. 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.

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 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>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments – Disclosure of Information about segment assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendments*	Amendments to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
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>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

- * Included in *Improvements to HKFRSs 2009* (as issued in May 2009).
- ** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of the HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

(a) Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(b) HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 2.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ²
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs issued in October 2008</i>	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

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

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

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

- (a) the marketing and distribution segment engages in the sale and distribution of electronic components; and
- (b) the product design and development segment engages in the design, development and sale of electronic products.

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) 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, gain on disposal of items of property, plant and equipment, share of profits and losses of associates and a jointly-controlled entity, fair value gains/(losses) on equity investments at fair value through profit or loss, finance costs and unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted at costs.

	Marketing and distribution <i>HK\$'000</i>	Product design and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2010			
Segment revenue:			
Sales to external customers	2,389,284	68,404	2,457,688
Intersegment sales	<u>15,528</u>	<u>2,838</u>	<u>18,366</u>
	2,404,812	71,242	2,476,054
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(18,366)</u>
Revenue			<u><u>2,457,688</u></u>
Segment results	40,976	(3,355)	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
Share of profit of a jointly-controlled entity			1,061
Share of profits and losses of associates			992
Fair value gains on equity investments at fair value through profit or loss, net			39,918
Gain on disposal of items of property, plant and equipment			329
Unallocated expenses			(32,959)
Finance costs			<u>(8,721)</u>
Profit before tax			<u><u>50,158</u></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	12,328	64	12,392
Unallocated capital expenditure	<u> </u>	<u> </u>	<u><u>3,572</u></u>

	Marketing and distribution HK\$'000	Product design and development HK\$'000	Total HK\$'000
Year ended 31 March 2009			
Segment revenue:			
Sales to external customers	1,958,404	54,895	2,013,299
Intersegment sales	<u>12,054</u>	<u>235</u>	<u>12,289</u>
	1,970,458	55,130	2,025,588
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(12,289)</u>
Revenue			<u><u>2,013,299</u></u>
Segment results	29,762	(910)	28,852
<i>Reconciliation:</i>			
Bank interest income			477
Interest income from a convertible note receivable			2,583
Dividend income from listed investments			1,359
Management fee income from associates			3,171
Share of losses of associates			(3,344)
Fair value losses on equity investments at fair value through profit or loss, net			(60,716)
Gain on disposal of items of property, plant and equipment			5
Unallocated expenses			(23,935)
Finance costs			<u>(11,634)</u>
Loss before tax			<u><u>(63,182)</u></u>
Other segment information:			
Depreciation	4,262	93	4,355
Unallocated depreciation			591
Amortisation of other intangible assets	31	5	36
Impairment of trade receivables	2,613	–	2,613
Capital expenditure	1,073	77	1,150
Unallocated capital expenditure	<u> </u>	<u> </u>	<u><u>3,231</u></u>

Geographical information

(a) Revenue from external customers

	2010 HK\$'000	2009 HK\$'000
Hong Kong	577,386	547,575
Mainland China	971,171	982,604
Singapore	816,429	431,613
Korea	11,324	28,841
Other countries	81,378	22,666
	<u>2,457,688</u>	<u>2,013,299</u>

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

(b) Non-current assets

	2010 HK\$'000	2009 HK\$'000
Hong Kong	111,782	55,954
Mainland China	41,699	42,626
Singapore	33,429	20,647
Korea	62,974	19,818
	<u>249,884</u>	<u>139,045</u>

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

Information about a major customer

Revenue of approximately HK\$112,663,000 (2009: HK\$149,855,000) was derived from sales by the marketing and 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	
	2010	2009
	HK\$'000	HK\$'000
Revenue		
Marketing and distribution of electronic components	2,389,284	1,958,404
Design, development and sale of electronic products	68,404	54,895
	<u>2,457,688</u>	<u>2,013,299</u>
Other income and gains		
Bank interest income	297	477
Interest income from debt securities	724	–
Interest income from a convertible note receivable	1,710	2,583
Dividend income from listed investments	615	1,359
Gain on disposal of items of property, plant and equipment	329	5
Management fee income from associates	8,571	3,171
Management fee income from a related company	399	240
Insurance claim for damaged inventories	–	1,458
Others	3,183	2,332
	<u>15,828</u>	<u>11,625</u>

4. PROFIT/(LOSS) BEFORE TAX

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

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Cost of inventories sold		2,325,900	1,904,280
Depreciation:			
Property, plant and equipment		4,636	4,946
Investment property		309	—
		4,945	4,946
Amortisation of other intangible assets*		39	36
Impairment/(reversal of impairment) of trade receivables**	12	(208)	2,613
Impairment of an other receivable**		—	3,562
Impairment/(reversal of impairment) of slow moving inventories*		(5,948)	2,726
Impairment of an available-for-sale investment**	9	3,921	—
Minimum lease payments under operating leases in respect of land and buildings		2,393	1,971
Auditors' remuneration		1,598	1,589
Equity-settled share option expense**		2,206	—
Staff costs (including directors' remuneration):			
Wages and salaries		61,912	52,236
Pension scheme contributions		1,429	1,617
		63,341	53,853
Fair value (gains)/losses, net:			
Equity investments at fair value through profit or loss		(39,918)	60,716
A derivative financial instrument at fair value through profit or loss		6,698	—
Foreign exchange differences, net**		3,991	3,316
Gain on disposal of items of property, plant and equipment		(329)	(5)
Bank interest income		(297)	(477)
Interest income from a convertible note receivable		(1,710)	(2,583)
Interest income from debt securities		(724)	—
Dividend income from listed investments		(615)	(1,359)
Impairment/(reversal of impairment) of items of property, plant and equipment**		(366)	336

* 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	
	2010	2009
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	8,608	11,364
Interest on a mortgage loan	44	223
Interest on finance leases	69	47
	8,721	11,634

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	6,194	4,164
Overprovision in prior years	(33,115)	(848)
Deferred	62	(189)
Total tax charge/(credit) for the year	(26,859)	3,127

7. DIVIDENDS

	2010	2009
	HK\$'000	HK\$'000
Interim – HK3 cents (2009: Nil) per ordinary share	13,991	–
Proposed final – HK4 cents (2009: Nil) per ordinary share	20,934	–
	34,925	–

8. EARNINGS/(LOSS) 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 433,871,619 (2009: 413,947,115) 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 ended 31 March 2009 had an anti-dilutive effect on the basic loss per share for that year.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	<u>77,017</u>	<u>(66,309)</u>
	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	433,871,619	413,947,115
Effect of dilution – weighted average number of ordinary shares: Share options	<u>574,361</u>	<u>–</u>
	<u>434,445,980</u>	<u>413,947,115</u>

9. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010	2009
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	49,845	19,818
Impairment (<i>note 4</i>)	(3,921)	—
	<u>45,924</u>	<u>19,818</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\$3,921,000 was made for an available-for-sale investment with original carrying value (before impairment) of HK\$3,921,000 because it has been making loss for years and had a deficiency in assets at the end of the reporting period.

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 bore interest at a rate of 8% per annum.

The convertible note could 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 would be mandatorily redeemed by the issuer on 31 August 2009 at the outstanding principal amount together with interest accrued.

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

Subsequent to the reporting period, on 1 June 2010, the convertible note receivable was fully settled.

11. INVENTORIES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Raw materials	—	2,811
Finished goods	106,355	154,883
	<u>106,355</u>	<u>157,694</u>

12. TRADE AND BILLS RECEIVABLES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade receivables	206,214	212,932
Impairment	(937)	(1,294)
	205,277	211,638
Bills receivable discounted with recourse	4,612	3,368
	209,889	215,006

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 end of the reporting period, based on the payment due date, is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Current	148,064	138,900
1 to 30 days	53,693	59,798
31 to 60 days	727	5,027
Over 60 days	3,730	9,207
	206,214	212,932

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	
	2010	2009
	HK\$'000	HK\$'000
Current	<u>4,612</u>	<u>3,368</u>

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
At 1 April	1,294	1,166
Impairment losses recognised/(reversed) (<i>note 4</i>)	(208)	2,613
Amount written off as uncollectible	<u>(149)</u>	<u>(2,485)</u>
	<u>937</u>	<u>1,294</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.

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
Neither past due nor impaired	148,064	138,662
Less than 1 month past due	53,693	59,719
1 to 3 months past due	727	4,843
3 to 6 months past due	<u>2,793</u>	<u>8,414</u>
	<u>205,277</u>	<u>211,638</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.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK\$'000	HK\$'000
Managed funds, outside Hong Kong, at market value	57,512	34,582
Listed equity investments, at market value:		
Hong Kong	18,962	30,159
Elsewhere	8,253	7,651
Debt securities, at market value	20,116	—
	104,843	72,392

The above equity investments at 31 March 2009 and 2010 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 end of the reporting period, based on the invoice due date, is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade payables:		
Current	73,368	57,628
1 to 30 days	4,835	46,641
31 to 60 days	348	—
Over 60 days	1,595	15,590
	80,146	119,859
Accrued expenses	19,226	15,762
	99,372	135,621

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.

15. 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 2010, the fair value of the financial guarantee obligation of the Group amounted to 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.

16. DERIVATIVE FINANCIAL INSTRUMENT

2010
Liability
HK\$'000

Group

Interest rate swap

6,698

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

Under the interest rate swap, the Group pays interest at 3-month Hong Kong Interbank offer rate ("HIBOR") minus 0.1% while receives 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 pays interest at a fixed rate of 3.78% based on the notional amount while receives interest calculated on a daily basis at 3-month HIBOR, when 3-month HIBOR is less than or equal to 7%. If 3-month HIBOR is higher than 7%, the Group will 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 during the year.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the year ended 31 March 2010, with the comparative figures for the corresponding financial year of 2009.

	2010 <i>HK\$'million</i>	2009 <i>HK\$'million</i>
<i>Revenue</i>		
Marketing and distribution	2,389.3	1,958.4
Product design and development	68.4	54.9
	2,457.7	2,013.3
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	17.7	(71.6)
Marketing and distribution	46.6	26.0
Product design and development	(0.6)	(1.0)
	63.7	(46.6)
<i>Depreciation, amortisation and non-cash items</i>		
Corporate	(0.8)	(0.6)
Marketing and distribution	(4.0)	(4.2)
Product design and development	(0.1)	(0.1)
	(4.9)	(4.9)
Profit/(loss) before interest and tax	58.8	(51.5)
Interest expenses	(8.7)	(11.7)
Profit/(loss) before tax	50.1	(63.2)
Income tax	26.9	(3.1)
Profit/(loss) for the year	77.0	(66.3)

BUSINESS REVIEW

For the year ended 31 March 2010, the Group's turnover increased by 22% to HK\$2,457.7 million, up from HK\$2,013.3 million in 2009. The Group achieved positive EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) of HK\$63.7 million for the year as compared to a loss of HK\$46.6 million last year. The significant improvement in performance was mainly due to the Group's ability to capture strong domestic demand in the PRC market as well as its successful efforts to control costs.

Affected by the financial crisis that erupted in September 2008, economies around the world were faced with the threat of recession in the first half of 2009. Consumer confidence and demand for consumer electronics duly plummeted. Through swift response by the world's governments via economic stimulus policies, market sentiment started to stabilise and improve from the third quarter of 2009, especially in the PRC, which was one of the first countries to rebound.

Promptly responding to the reviving economic situation, the Group actively 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 an increase in the fair value on equity investments. Proving that it had managed to turn the corner, the Group achieved profitability with net profit HK\$77.0 million during the year under review (2009: a net loss of HK\$66.3 million).

Marketing and Distribution Business

For the year ended 31 March 2010, turnover of this business segment increased by 22% to HK\$2,389.3 million (2009: HK\$1,958.4 million). During the year, the demand for flash memory products was slow, hindered by the US economy which was still reeling from the financial downturn. Consequently, many less competitive distributors exited from the market. 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.

During the year, the Group continuously sought to broaden its distribution network, diversify its product mix and expand its customer base. By implementing stringent cost control measures and timely turn of sales, profit margin slightly improved from 4.6% to 5.0%, even amidst uncertain economic conditions. EBITDA for this segment increased to HK\$46.6 million (2009: HK\$26.0 million) given the product price trend was relatively stable.

In order to further expand its memory distribution business, the Group has entered into a shareholders agreement with Good Profit HK Group Limited, a wholly-owned subsidiary of Protech Components Limited, a major electronic components distributor that operates in the Hong Kong and PRC markets, to set up an associate of the Group. The associate, known as United Benefits Limited will operate a memory distribution business, offering such products as solid-state drives (SSDs). Both the Group and Protech boast solid market experience in the memory distribution industry and have long-term relationships with global electronic manufacturers. The associate is expected to capture greater market share and enjoy optimum synergies.

The Group entered the high brightness LED wafer business after acquiring 17.02% equity interest in the Korea-based company Wavesquare Inc. (“Wavesquare”). The Group has been the sole distributor of all Wavesquare’s products in Mainland China, as well as Hong Kong, Macau and Taiwan. During the year, Wavesquare completed development of an LED wafer but the associated venture remained in the investment stage. However, it has already secured orders for developed products.

In early 2010, Wavesquare won the Minister of Knowledge and Economy Award of the first National Green Tech Awards, presented by the Korean Government. The aim of the Awards is to honour and encourage electronics companies to develop green technology. Wavesquare was the only company in the LED industry to make the list of recipients, highlighting its technological prowess.

Separately, the Group entered into a joint venture agreement with Mr. Lee Jeong Kwan, the former Vice Chairman and Executive Director, subsequently creating FLEX Technology Limited. The company will principally engage in the distribution of LED for display backlight modules. As the venture complements the Group’s close working relationship with key electronic manufacturers such as Samsung Electronics which stretches back over 20 years, it has already developed rapidly. Commencing distribution in September 2009, FLEX Technology Limited has become the first and only distributor of LED for display backlight modules to Samsung for its TV screens and computer monitors in China. The company has received a satisfactory amount of orders and started contributing income to the Group during the year.

In view of the LED business’ tremendous growth potential, the Group entered into placing and subscription agreements on 3 November 2009. The subscription, which amounts to approximately 46 million shares at HK\$0.681 per share, raising approximately HK\$31.21 million, will be used to support business growth. The placees included Value Partners Limited, Fuh Hwa SITE Asset Management (Hong Kong) Limited and other recognised institutional and individual investors, thus highlighting the investment community’s confidence in the Group’s development.

In terms of geographical distribution, Hong Kong and the PRC remains the focus 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 fast growing. Worth noting, the Group successfully penetrated into the Indian market with the delivery of traditional components.

Product Design and Development Business

During the year, the global economy, which includes the Group’s major market, North America, started to stabilise and rebound from the financial turmoil. Being one of the world’s largest suppliers of low-vision-aid electronics products, the Group sought to capitalise on this recovery, doubling its sales effort as well as stringent cost control measures, which were subsequently rewarded with satisfactory results. Turnover rose 24.6% to HK\$68.4 million, up from HK\$54.9 million in 2009. This segment managed to lower negative EBITDA to HK\$0.6 million (2009: negative EBITDA: HK\$1.0 million).

During the year under review, the Group expanded into the 3D TV glasses market by entering into a share subscription agreement on 15 March 2010. Pursuant to the agreement, the Group will subscribe to 730,000 new shares, representing 20% of the enlarged issued shares of Accupix Co., Ltd. (“Accupix”) with a total consideration of US\$3.6 million (equivalent to approximately HK\$27.9 million). Accupix is a pioneer in 3D TV shutter glasses technology and has commenced production of 3D TV shutter glasses since February 2010. It supplies the respective technology to Samsung and two other leading electronics brands in Japan. It also signed a supply agreement with LG-Electronics (“LGE”) in late 2009, becoming the exclusive manufacturer of 3D shutter glasses for LGE’s 3D TVs. This strategic investment allows the Group to enhance its portfolio of consumer electronic products and tap the huge potential of the 3D TV market.

PROSPECTS

With over three decades worth of experience, AV Concept has established a strong and solid foundation in the fast-changing electronics industry. The Group has established an extensive sales and distribution network, built close ties with key electronics manufacturers and created strong business partnership. In addition, the Group now possess advanced technological know-how and a diversified product portfolio. Armed with these competitive advantages, the dedicated and experienced management team not only helped lead the Group through the global financial crisis, but also strengthen its leading position in the consumer electronics market.

Looking ahead, overall investment and consumer sentiment is improving and the effects of the financial downturn are gradually diminishing. The Group will continue to control costs, expand its customer base and diversify the distribution product mix to protect business margin. The Group will also explore the high growth electronic components market to maintain business growth.

Supported by the efforts of the world’s governments, especially the PRC and Korea, in promoting environmentalism and development of industries involved in energy conservation, the Group is confident about the prospects and business potential of its high brightness LED business.

To further promote long-term growth of its LED business, the Group entered into a placing agreement on 28 April 2010 for the issuing of up to 57 million shares at a price of HK\$1.05 per share to raise approximately HK\$59.85 million. The placees, namely Och Ziff Capital Management and Kingsway Financial Service Group, will each subscribe to 28.5 million placing shares, representing 5.445% of the enlarged issued share capital of AV Concept.

With the available proceeds, on 31 May 2010 the Group further announced that it was entering into a share subscription agreement for 370,796 new shares of Wavesquare at the subscription price of US\$4 million (equivalent to approximately HK\$31.2 million), and a further 302,341 new shares at the subscription price of US\$3,261,540 (equivalent to approximately HK\$25.4 million). In addition, the Group entered into a share purchase agreement for 77,602 existing shares in Wavesquare at the consideration of US\$875,000 (equivalent to approximately HK\$6.83 million). Upon completion of the aforementioned agreements, the Group’s share of equity interest in Wavesquare will increase from 17.02% to approximately 26.26%.

Wavesquare is now entering into the final stage of trial production for leading electronics brands, including Samsung Electronics and LG-Electronics. It expects to ramp up production in the second or third quarter of 2010. Wavesquare also plans future expansion of its production capacity on top of three existing production lines. Being the sole distributor of its products in Mainland China, as well as Hong Kong, Macau and Taiwan, the Group is optimistic about potential revenue contributions derived from this business in coming years, and its ability to boost business growth in the long term.

The Group is optimistic about the development of another growth driver, the distribution of LED for display backlight modules via the joint venture company, FLEX Technology Limited. Major Korean and Japanese TV makers are planning to launch 3D TVs on the market starting this year, following in the footsteps of Samsung. Spurred by a surge in supply of 3D content from the movie and game industries, the Group anticipates 3D TV to be the next big trend and will be poised to capture tremendous opportunities that arise.

The rise of 3D TVs present yet another fresh opportunity for the Group. Specifically, the new 3D shutter glasses business is expected to be the Group's growth driver for this year. Orders for Accupix's 3D shutter glasses from TV manufacturers are expected to increase substantially, mirroring the growth of the market. The Group will further engage in designing and developing the 3D shutter glasses that are adaptable to most TV brands. With the global distribution rights (ex-Korea) for Accupix's 3D shutter glasses, the Group will distribute the universal 3D shutter glasses globally using its own "SOUL" brand, focusing initially on the US and the PRC markets, which will be launched via retail channels soon riding on its established sales network. The Group believes such universal 3D shutter glasses will serve to capture the huge potential in the peripheral market and its higher margin will enhance the profitability of the Group.

The Group extends foothold into upstream markets through the strategic investments of Wavesquare and Accupix, it enables the Group to obtain exclusive distribution right of their products that are with favourable margin and huge growth potential. Together with the Group's well-established sales and distribution network, the Group is positive towards the sustainability of long term business development and growth.

With the new associate company United Benefits Limited, the Group also targets to tap the growing SSD market. SSD application is expected to gradually extend to personal computers and netbooks, leading to significant growth ahead.

Going forward, the Group will continue to look for opportunities to diversify its product mix and thus become a one-stop service platform that is fully capable of meeting customers' diverse needs. The Group will grasp suitable opportunities for the design and development business in the fast-changing electronics market. As well, it will look for green tech and LED related business opportunities, thereby enhancing shareholder value in coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 31 March 2010 and the corresponding gearing ratio are shown as follows:

	2010 <i>HK\$'million</i>	2009 <i>HK\$'million</i>
Bank debts	<u>369.1</u>	<u>309.3</u>
Cash and cash equivalents	151.8	146.3
Equity investments at fair value through profit or loss	<u>104.8</u>	<u>72.4</u>
Cash and cash equivalents and equity investments	<u>256.6</u>	<u>218.7</u>
Net debt	<u>112.5</u>	<u>90.6</u>
Total equity	<u>381.1</u>	<u>276.7</u>
Net debt to total equity	<u>30%</u>	<u>33%</u>

As at 31 March 2010, the Group had cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$151.8 million (2009: HK\$146.3 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$104.8 million (2009: HK\$72.4 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 2010 was 30% (2009: 33%), while the Group's total equity as at 31 March 2010 was HK\$381.1 million (2009: HK\$276.7 million), with the total balances of cash and cash equivalents and equity investments as at 31 March 2010 of HK\$256.6 million (2009: HK\$218.7 million).

The working capital position of the Group remains healthy. As at 31 March 2010, the liquidity ratio was 129% (2009: 130%).

	2010 <i>HK\$'million</i>	2009 <i>HK\$'million</i>
Current assets	621.3	626.2
Current liabilities	<u>(482.5)</u>	<u>(483.3)</u>
Net current assets	<u>138.8</u>	<u>142.9</u>
Current assets to current liabilities (%)	<u>129%</u>	<u>130%</u>

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.

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 2010. 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 2010.

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 2010.

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 2010.

DIVIDENDS

An interim dividend of HK3 cents per ordinary share was paid on 17 December 2009. The directors recommended the payment of final dividend of HK4 cents per ordinary share in respect of the year to shareholders on the register of members on 27 July 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 28 July 2010 to Monday, 2 August 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividends mentioned above, 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 Tuesday, 27 July 2010.

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 2010 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, 21 June 2010

As at the date of this announcement, the Board comprises two executive Directors, Dr. Hon. 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.