

Chairman's Statement

A Commitment to Deliver Quality

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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you AV Concept Holdings Limited's annual results for the year ended 31 March 2004.

Fiscal 2003/04 was an especially rewarding year for the Group. The Group has strengthened significantly its profitability and financial position. Our net profit increased by nine folds to HK\$126 million and basic earnings per share increased to HK33.3 cents per share.

In view of the positive results for the year ended 31 March 2004, the Board of Directors recommended a final dividend of HK8 cents per share (2003: HK1 cent per share) to be paid on or before 31 August 2004, subject to shareholders' approval at the forthcoming annual general meeting to be held on 23 August 2004. Together with the interim dividend of HK2.5 cents per share and a special dividend of HK10 cents per share, the total dividend for the year will be HK20.5 cents, achieving a dividend yield of approximately 13.7% on the closing price of HK\$1.50 per share as at the year end.

The remarkable results proved the success of our business direction. With the full support from our principal, Samsung Electronics, our core semiconductors marketing and distribution business is expected to continue to perform well. We will further strengthen our position as one of the largest distributors for Samsung Electronics products in Hong Kong and Southern China. Furthermore, recognising our superb marketing expertise and extensive distribution network, we are broadening our product lines to more Samsung Electronics products as well as other items complimentary to our Samsung Electronics product portfolio. Apart from marketing and distribution, we also provide value-adding total design solutions to our customers. This additional capability provides a strong complement to our services.

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Our design and manufacturing business, which mainly covers the EMS and the ODM operations, saw tremendous growth during the year. Impressed with the persistently high quality of our products, clients are expected to place increasing number of orders. On the ODM side, our continuous efforts on the research and development of MP3 players have allowed us to win more quantity orders from our highly satisfied customers, thus further benefit from economies of scale.

Looking into the future, we will further expand the product portfolio of both our distribution and manufacturing business. We are confident that the two businesses will continue to grow and compliment each other in various ways. In the coming fiscal year, we will also step up the marketing and development of our relatively young OBM business. Given the favourable response of the US market to our innovative designs, we plan to introduce our own brands of MP3 players into the Asian and European markets in the coming years. With extensive experience in manufacturing and distributing high quality electronic products and demand for high-end MP3 rising worldwide, we believe our development initiatives will bring excellent returns and help the Group strengthen its position as one of the leading manufacturers of MP3 players in the world.

We understand that if we are to sustain our growth momentum in the coming years, we cannot let up on developing cutting-edge design and technology. With the same dedication, we will continue to develop our fast growing manufacturing business, and at the same time, maintain a strong and profitable distribution arm.

Last but not least, I would like to thank our loyal and professional staff for their continuous commitment and hard work. Their contributions have enabled AV Concept to stay ahead in the industry over the years. I believe, working as a team, we are well on track to create substantial long-term returns for our shareholders.

So Yuk Kwan

Chairman

Hong Kong

30 June 2004