

CHAIRMAN'S STATEMENT

A Commitment to Deliver Quality



Chairman's Statement



TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the annual results of AV Concept Holdings Limited (“AV Concept”) and its subsidiaries (together referred to as the “Group”) for the year ended 31 March 2006.

We are glad that our long established electronics distribution business continued to contribute substantially to the Group’s results and experienced healthy organic growth during the year under review.

However, recognizing the changing environment that the Group operates in, we chose to restructure part of our existing business model to encompass new manufacturing and distribution interests with the aim of opening fresh avenues for growth. During the year, the Management decided to exit from the MP3 market owing to fierce competition, rising marketing costs and competitive pricing which adversely affected revenues – conditions that would only worsen thereby limiting future business growth.

On the other hand, understanding the importance of directing focus towards sectors with greater margins and growth potential as well as higher entry barriers that limit competition, we decide to diversify our business to the niche medical product market. The first strategic move was the establishment of a wholly-owned subsidiary AVC Medical Technology Limited. Having reached a strategic relation with US-based Fall Prevention Technologies LLC, the subsidiary became involved in developing the balanceback™ range of equipments for the treatment of balance disorders and will be the exclusive manufacturer and sole distributor of such devices in Asia.

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This initiative is consistent with our view that great potential lies in the development, manufacture and distribution of medical devices and equipment targeting the elderly and special needs population. The new area of business will be built on the Group's long involvement in the design and manufacture of special-care electronics products – a field of expertise that continues to possess strong potential for growth.

Looking ahead, with increasing support from the PRC Government and people in Asia and China becoming more affluent, growing public concern for health care, and populations around the world aging, we have full confidence in our thriving niche medical business.

With respect to medical equipment distribution, apart from the balanceback™ equipments to be distributed throughout Asia, we will also start supplying Korean-manufactured medical equipments to hospitals and clinics in the PRC in the coming year. Taking advantage of our existing extensive distribution network established in the PRC, together with our solid experience in working with the Korean suppliers, we are optimistic that such products will be well received by the market.

On the design and manufacturing side, with strong research and development experience in the consumer electronics sector, we are well positioned to capture the arising opportunities in the quality special-care product market. The products currently being developed include products for the hearing-impaired and vision-impaired. Since the supply of the special-care electronics products is limited, we see vast potential in this market as populations age worldwide and people becoming increasing concern about health care and related public policies.

APPRECIATION

I would like to take this opportunity to offer my gratitude to the Board for their continuous support as well as our Management for their prudent decision to consolidate interests in view of future growth. I am confident that with our new strategies in place, and the diligence of our staff, we will be able to achieve long term and satisfactory returns for our shareholders.

So Yuk Kwan

Chairman

Hong Kong

25 July 2006