

EPI



2009-  
INTERIM REPORT 2010

**Income Statement Highlights**

	<b>Six months ended</b>	
	<b>30/9/2009</b> <i>HK\$'million</i>	<b>30/9/2008</b> <i>HK\$'million</i>
<b>Revenue</b>	<b>1,239.7</b>	<b>1,145.0</b>
Earnings/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	<b>24.0</b>	(30.1)
– Marketing and distribution	<b>29.9</b>	12.3
– Design and development	<b>(2.2)</b>	0.1
	<b>51.7</b>	(17.7)
Depreciation, amortisation and non-cash items	<b>(7.1)</b>	(2.5)
Profit/(loss) for the period	<b>36.2</b>	(27.5)
Interim dividend	<b>13.8</b>	–

**Statement of Financial Position Highlights**

	<b>30/9/2009</b> <i>HK\$'million</i>	<b>31/3/2009</b> <i>HK\$'million</i>
Total assets	<b>846.3</b>	765.2
Total assets less current liabilities	<b>319.4</b>	282.0
Total equity	<b>313.5</b>	276.7
Bank debts	<b>328.5</b>	309.3
Cash and cash equivalents	<b>109.2</b>	146.3
Equity investments at fair value through profit or loss	<b>80.8</b>	72.4
Cash and cash equivalents and equity investments	<b>190.0</b>	218.7
Net debt	<b>138.5</b>	90.6
Net debt to total equity (%)	<b>44%</b>	33%
Current assets to current liabilities (%)	<b>121%</b>	130%
Cash and cash equivalents and equity investments per share (HK\$)	<b>0.46</b>	0.53
Total equity per share (HK\$)	<b>0.76</b>	0.67

## UNAUDITED INTERIM RESULTS

The Board of Directors of AV Concept Holdings Limited (the “Company” or “AV Concept”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2009	2008
	Notes	<i>(Unaudited)</i> <i>HK\$'000</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>1,239,676</b>	1,144,965
Cost of sales		<u>(1,175,824)</u>	<u>(1,090,332)</u>
Gross profit		<b>63,852</b>	54,633
Other income and gains	4	<b>6,370</b>	4,396
Selling and distribution costs		<b>(14,757)</b>	(12,570)
Administrative expenses		<b>(31,961)</b>	(32,808)
Fair value gains/(losses) on equity investments at fair value through profit or loss		<b>34,399</b>	(27,210)
Fair value losses on derivative instrument at fair value through profit or loss		<b>(4,889)</b>	–
Other expenses		<b>(7,506)</b>	(5,629)
Share of losses of associates		<b>(895)</b>	(1,025)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		<b>44,613</b>	(20,213)
Finance costs	5	<b>(4,599)</b>	(5,720)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>40,014</b>	(25,933)
Tax	7	<b>(3,849)</b>	(1,528)
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>36,165</b>	(27,461)
<b>INTERIM DIVIDEND</b>	8	<b>13,751</b>	–
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic		<b>8.8 cents</b>	(6.6 cents)
Diluted		<b>8.8 cents</b>	(6.6 cents)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2009 <i>(Unaudited)</i> HK\$'000	2008 <i>(Unaudited)</i> HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>36,165</b>	(27,461)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		
Exchange differences on translating foreign operations	<u>635</u>	<u>(1,359)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<u><b>635</b></u>	<u>(1,359)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<u><b>36,800</b></u>	<u>(28,820)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		68,439	67,644
Other intangible assets		1,545	1,555
Investment in associates		65,441	38,164
Available-for-sale investments	10	26,595	19,818
Convertible note receivable – loan portion		26,339	–
Deposit for an investment property		18,259	11,864
		<hr/>	<hr/>
Total non-current assets		206,618	139,045
<b>CURRENT ASSETS</b>			
Convertible note receivable – loan portion		–	25,301
Inventories	11	123,741	157,694
Trade and bills receivables	12	306,874	215,006
Prepayments, deposits and other receivables		19,133	9,464
Equity investments at fair value through profit or loss	13	80,787	72,392
Time deposits		29,061	49,765
Cash and bank balances		80,104	96,564
		<hr/>	<hr/>
Total current assets		639,700	626,186
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued expenses	14	155,679	135,621
Due to a related company		–	589
Interest-bearing bank borrowings		327,505	303,939
Finance lease payables		192	202
Tax payable		43,579	42,902
		<hr/>	<hr/>
Total current liabilities		526,955	483,253
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		112,745	142,933

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<i>Notes</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>319,363</b>	281,978
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	–	5,010
Finance lease payables	<b>813</b>	107
Deferred tax liabilities	<b>169</b>	169
Derivative instrument	16 <u>4,889</u>	<u>–</u>
Total non-current liabilities	<u><b>5,871</b></u>	<u>5,286</u>
<b>Net assets</b>	<u><b>313,492</b></u>	<u>276,692</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	<b>41,252</b>	41,252
Reserves	<b>258,489</b>	235,440
Proposed dividend	<u><b>13,751</b></u>	<u>–</u>
Total equity	<u><b>313,492</b></u>	<u>276,692</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Issued capital	Share premium account	Capital reserve	Equity- settled share- based payment expenses reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
As at 1 April 2008	41,499	161,038	15,531	1,114	4,664	124,080	4,150	352,076
Total comprehensive income for the period	-	-	-	-	(1,359)	(27,461)	-	(28,820)
Dividend paid	-	-	-	-	-	-	(4,150)	(4,150)
As at 30 September 2008	<u>41,499</u>	<u>161,038</u>	<u>15,531</u>	<u>1,114</u>	<u>3,305</u>	<u>96,619</u>	<u>-</u>	<u>319,106</u>
As at 1 April 2009	41,252	160,807	15,778	1,114	217	57,524	-	276,692
Total comprehensive income for the period	-	-	-	-	635	36,165	-	36,800
Proposed interim dividend	-	-	-	-	-	(13,751)	13,751	-
Lapse of share options	-	-	-	(165)	-	165	-	-
As at 30 September 2009	<u>41,252</u>	<u>160,807</u>	<u>15,778</u>	<u>949</u>	<u>852</u>	<u>80,103</u>	<u>13,751</u>	<u>313,492</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(61,410)</b>	67,553
<b>Net cash inflow/(outflow) from investment activities</b>	<b>9,815</b>	(9,614)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>14,599</b>	(61,746)
<b>Net decrease in cash and cash equivalents</b>	<b>(36,996)</b>	(3,807)
Cash and cash equivalents at beginning of period	<b>146,329</b>	121,408
Effect of foreign exchange rate changes, net	<b>(168)</b>	(1,359)
<b>Cash and cash equivalents at end of period</b>	<b>109,165</b>	116,242
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>80,104</b>	114,242
Time deposits with original maturity of less than three months when acquired	<b>29,061</b>	2,000
	<b>109,165</b>	116,242

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009.

### 2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these interim financial statements:

- |                           |  |
|---------------------------|--|
| • HKFRS 1 (Amendments)    | Amendments to HKFRS 1– First-time adoption of Hong Kong Financial Reporting Standards– additional exemptions for first-time adopters |
| • HKFRS 2 (Amendments)    | Share-based payment– Group cash-settled share-based payment transactions   |
| • HKFRS 3 (Revised 2008)  | Business Combinations  |
| • HKFRS 27 (Revised 2008) | Consolidated and Separate Financial Statements   |
| • HKFRS 39 (Amendments)   | Eligible Hedged Items  |
| • HKFRSs (Amendments)     | Improvements to HKFRSs 2009  |
| • HK(IFRIC) – Int 17      | Distributions of Non-cash Assets to Owners   |
| • HK(IFRIC) – Int 18      | Transfers of Assets from Customers   |

### 3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management.

The Group principally engages in the marketing and distribution of electronic components and the design, development and sale of electronic products.

### 3. SEGMENT INFORMATION (continued)

An analysis of the Group's turnover and profit for the period by principal activity is as follows:

	Segment revenue Six months ended 30 September		Segment results Six months ended 30 September	
	2009 <i>(Unaudited)</i> <i>HK\$'000</i>	2008 <i>(Unaudited)</i> <i>HK\$'000</i>	2009 <i>(Unaudited)</i> <i>HK\$'000</i>	2008 <i>(Unaudited)</i> <i>HK\$'000</i>
By business segments:				
Marketing and distribution	<b>1,209,157</b>	1,109,483	<b>28,185</b>	10,116
Design and development	<b>30,519</b>	35,482	<b>(1,331)</b>	722
	<b><u>1,239,676</u></b>	<u>1,144,965</u>	<b><u>26,854</u></b>	<u>10,838</u>
Bank interest income			<b>299</b>	815
Interest income from a convertible note receivable			<b>1,038</b>	1,451
Dividend income from listed investments			<b>588</b>	1,114
Gain on disposal of items of property, plant and equipment			<b>381</b>	33
Share of losses of associates			<b>(895)</b>	(1,025)
Fair value gains/(losses) on equity investments at fair value through profit or loss			<b>34,399</b>	(27,210)
Fair value losses on derivative instrument at fair value through profit or loss			<b>(4,889)</b>	–
Unallocated corporate expenses			<b>(13,162)</b>	(6,229)
Profit/(loss) from operating activities			<b>44,613</b>	(20,213)
Finance costs			<b>(4,599)</b>	(5,720)
Profit/(loss) before tax			<b>40,014</b>	(25,933)
Tax			<b>(3,849)</b>	(1,528)
Profit/(loss) for the period			<b><u>36,165</u></b>	<u>(27,461)</u>

### 3. SEGMENT INFORMATION (continued)

An analysis of the Group's turnover by geographical segment is as follows:

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Geographical segment:		
Hong Kong	292,666	323,214
Mainland China	614,954	489,328
Singapore	305,186	295,051
Korea	2,598	21,687
Other locations	24,272	15,685
	<u>1,239,676</u>	<u>1,144,965</u>

### 4. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Bank interest income	299	815
Interest income from a convertible note receivable	1,038	1,451
Dividend income from listed investments	588	1,114
Gain on disposal of items of property, plant and equipment	381	33
Others	4,064	983
	<u>6,370</u>	<u>4,396</u>

### 5. FINANCE COSTS

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank and mortgage loans	4,552	5,695
Interest on finance leases	7	25
	<u>4,599</u>	<u>5,720</u>

## 6. PROFIT/(LOSS) BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation & amortization	<b>2,501</b>	2,546
Gain on disposal of items of property, plant and equipment	<b>(381)</b>	(33)
Exchange losses, net	<b>4,369</b>	3,133
	<b><u>4,369</u></b>	<b><u>3,133</u></b>

## 7. TAX

The Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing laws, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for tax for the period	<b>3,849</b>	1,528
	<b><u>3,849</u></b>	<b><u>1,528</u></b>

## 8. INTERIM DIVIDEND

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proposed interim – HK3 cents per ordinary share (2008: Nil)	<b>13,751</b>	–
	<b><u>13,751</u></b>	<b><u>–</u></b>

The Board of Directors has resolved to declare an interim dividend of HK3 cents per ordinary share in issue in respect of the six months ended 30 September 2009 (2008: Nil) payable on or around 17 December 2009 to shareholders whose names appear on the register of members of the Company on 7 December 2009.

## 9. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings/(loss) per share calculation and 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.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings:</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted earnings/(loss) per share calculation	<b>36,165</b>	(27,461)
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	<b>412,524</b>	414,994
Effect of dilution-weighted average number of ordinary shares: Share options	—	—
Total	<b>412,524</b>	414,994

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Unlisted equity investments, at cost	<b>26,595</b>	19,818
Provision for impairment	—	—
	<b><u>26,595</u></b>	<b><u>19,818</u></b>

The balance as at 30 September 2009 and 31 March 2009 included the unlisted equity investments which were designated as available-for-sale investments and have no fixed maturity date or coupon rate.

During the six months ended 30 September 2009, the directors of the Company reviewed the carrying amount of the equity investments with reference to the estimated future cash flows discounted to the present value. The equity investments are measured at cost.

## 11. INVENTORIES

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Raw materials	—	2,811
Finished goods	<b>123,741</b>	154,883
	<b><u>123,741</u></b>	<b><u>157,694</u></b>

## 12. TRADE AND BILLS RECEIVABLES

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 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.

An aged analysis of the trade receivables as at 30 September 2009, based on invoice due date and net of provisions, is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Current	<b>188,849</b>	138,662
1 – 30 days	<b>102,345</b>	59,719
31 – 60 days	<b>5,586</b>	4,843
Over 60 days	<b>10,094</b>	8,414
	<b><u>306,874</u></b>	<u>211,638</u>

An aged analysis of the bills receivables as at 30 September 2009, based on payment due date, is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Current	<b>–</b>	3,368

## 13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Managed funds, outside Hong Kong, at market value	<b>12,102</b>	34,582
Listed equity investments, at market value		
Hong Kong	<b>7,105</b>	30,159
Elsewhere	<b>42,246</b>	7,651
Listed debt investments, Hong Kong, at market value	<b>19,334</b>	–
	<b><u>80,787</u></b>	<u>72,392</u>

All the above investments as at 30 September 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 30 September 2009, based on invoice due date, is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Current	<b>84,444</b>	57,628
1 – 30 days	<b>48,557</b>	46,641
31 – 60 days	<b>916</b>	–
Over 60 days	<b>4,138</b>	15,590
	<b>138,055</b>	119,859
Accrued expenses	<b>17,624</b>	15,762
	<b>155,679</b>	135,621

The trade payables and accrued expenses 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. SHARE OPTION SCHEME

The maximum number of unexercised share options currently permitted to be granted under the existing share option scheme of the Company (“the Scheme”) must not in aggregate exceed 30% of the shares of the Company in issue at any time. As at 30 September 2009, the Company had 11,500,000 share options (2008: 13,500,000 share options) outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 11,500,000 additional ordinary shares of the Company and additional share capital of HK\$1,150,000 and share premium of HK\$4,600,000 (before issue expenses). At the date of approval of these condensed consolidated interim financial statements, the Company had 11,500,000 share options outstanding under the Scheme, which represented approximately 2.8% of the Company’s shares in issue as at that date. The Company had 2,000,000 share options lapsed under the Scheme on 16 August 2009, as one of the directors resigned with effect from 16 July 2009.

During the six months ended 30 September 2009, equity-settled share-based payment expenses were amounted to Nil (2008: Nil).

## 16. DERIVATIVE INSTRUMENT

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Derivative instrument includes, swap derivative not under hedge accounting	<b>4,889</b>	–

The derivative instrument is measured at fair value at the balance sheet date. The fair value is determined based on valuation provided by the counterparty financial institution.

### Major terms of interest rate swap

Notional amount: HK\$200,000,000  
Maturity date: 26 June 2014

During the period ended 30 September 2009, the Group entered into Interest rate swap. Under this swap, the Group pays interest at 3-month HKD HIBOR HKAB\* minus 0.1% while receives interest calculated on daily basis at 3-month HKD HIBOR HKAB based on the notional amount in the first two contact years.

In the third to fifth contact years, the Group pays interest at fixed rate 3.78% based on the notional amount while receives interest calculated on daily basis at 3-month HKD HIBOR HKAB, when HKD HIBOR HKAB is within 3.78% to 7% (inclusive).

# HKD HIBOR HKAB represents HKD Hong Kong Interbank Offer Rate (“HIBOR”), which is fixed on a daily basis by the Hong Kong Association of Banks (“HKAB”).

## 17. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, certain comparative amounts have been revised to conform with the current period’s presentation.

## 18. EVENT AFTER THE BALANCE SHEET DATE

- a) On 3 November 2009, the Placing Agreement was entered into, pursuant to which, the Placing Agent has agreed to place, on a best efforts basis, up to 45,836,000 existing Shares held by B.K.S. Company Limited (“BKS”), representing approximately 11.11% of the issued share capital of the Company as at 3 November 2009, at the Placing Price of HK\$0.681 per Share. On even date, the Subscription Agreement was entered into, pursuant to which BKS will, subscribe for up to 45,836,000 new Shares representing approximately 11.11% of the existing issued share capital of the Company and 10.00% of the enlarged issued share capital of the Company at the Subscription Price of HK\$0.681 per Share. The net proceeds from the Subscription are estimated to be approximately HK\$30.70 million. It is the intention of the Company to use such net proceeds for the development of LED business of the Group and as a general working capital of the Group.
- b) On 18 November 2009, the Group signed an agreement to increase our share of equity interest in Wavesquare from 17.02% to 21.32%, with consideration of approximately US\$2,200,000. The Group is expected to enhance the ability to satisfy expectedly strong demand in LED business.

## BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2009, with the comparative figures for the corresponding six months period of 2008.

	<b>Six months ended</b>	
	<b>30/9/2009</b> <i>HK\$ million</i>	30/9/2008 <i>HK\$ million</i>
Revenue		
Marketing and distribution	<b>1,209.2</b>	1,109.5
Design and development	<b>30.5</b>	35.5
	<b><u>1,239.7</u></b>	<u>1,145.0</u>
Earnings/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	<b>24.0</b>	(30.1)
Marketing and distribution	<b>29.9</b>	12.3
Design and development	<b>(2.2)</b>	0.1
	<b><u>51.7</u></b>	<u>(17.7)</u>
Depreciation, amortisation and non-cash items		
Corporate	<b>(0.4)</b>	(0.3)
Marketing and distribution	<b>(1.7)</b>	(2.2)
Design and development	<b>(0.1)</b>	–
Fair value losses on derivative instrument at fair value through profit or loss	<b>(4.9)</b>	–
	<b><u>(7.1)</u></b>	<u>(2.5)</u>
Earnings/(loss) before interest and tax	<b>44.6</b>	(20.2)
Interest expenses	<b>(4.6)</b>	(5.7)
Profit/(loss) before tax	<b>40.0</b>	(25.9)
Tax	<b>(3.8)</b>	(1.6)
Profit/(loss) for the period	<b><u>36.2</u></b>	<u>(27.5)</u>

## BUSINESS REVIEW

For the six months ended 30 September 2009, the Group achieved turnover of HK\$1,239.7 million, representing an increase of 8.2% over the last corresponding period (2008: HK\$1,145 million). EBITDA (earnings before interest, tax, depreciation, amortization and non-cash items) for the period reported a gain to reach HK\$51.7 million (2008: negative EBITDA HK\$17.7 million), up 392%. The improved performance was achieved due to the Group's ability to tap the domestic and mainland market, which has been less severely affected by the global economic downturn than its North American counterpart, and effective cost control measures.

## MARKETING AND DISTRIBUTION BUSINESS

During the review period, the segmental turnover increased by 8.9% to HK\$1,209.2 million (2008: HK\$1,109.5 million). While demand for flash memory cards remain depressed, market consolidation has enabled the Group to strengthen its market position, due in part to the departure of weaker competitors and by capitalizing on its long-term relationship with leading global electronic manufacturers, including Samsung Electronics, Fairchild and other top suppliers. With greater market share, we were able to enhance our profit margin.

In terms of our involvement in the high brightness LED wafer business, which we entered by acquiring 18.9% equity interest in Wavesquare Inc. ("Wavesquare"), a Korea-based company, in 2007, the venture remains in the investment stage with research and development work progressing at a satisfactory pace.

The Group has most recently entered into a joint venture agreement with Mr. Lee Jeong Kwan, the former Vice Chairman and Executive Director, leading to the formation of FLEX Technology Limited. Formalized on 16 July 2009, the joint venture company will principally be engaged in the distribution of the LED for the display backlight modules, hence will complement our relationship with key electronic manufacturers. Demand for the application of LED backlight module is expected to grow substantially in the coming years and the establishment of the joint venture company represents a step to further expand our semiconductor distribution business.

## DESIGN AND DEVELOPMENT BUSINESS

Falling demand for dedicated electronic products has been one of the repercussions of a stalling economy in North America. However, equipping with the most advanced technology and having one of the world's largest market players of low-vision-aid electronic products as a client, the Group recorded 14% decrease in turnover of HK\$30.5 million in sales of niche market electronic and special care products for the elderly and customers with special needs (2008: HK\$35.5 million). The segment recorded a negative EBITDA of HK\$2.2 million during the review period (2008: segmental positive EBITDA: HK\$0.1 million).

## PROSPECTS

Although there is increasingly positive sentiment that the financial turmoil is subsiding, the Group will not relent in efforts to enhance competitiveness and bolster its market position. We will continue to control costs as well as expand our customer base and diversify the distribution product mix to protect business margin. The Group will continue to explore high growth electronic components market to maintain the business growth.

The Group remains confident that the high brightness LED sector, which it entered following its investment in Wavesquare back in 2007, possesses significant potential. As high brightness LED wafer can provide superior illumination and consume less energy than traditional lighting, such attributes perfectly correspond with the PRC Government's initiatives of promoting environmentalism and industries involved in energy conservation. The development of LED wafer of Wavesquare is now completed, and Wavesquare has secured orders for such developed products. On 18 November 2009, we signed an agreement to increase our share of equity interest in Wavesquare from 17.02% to 21.32%. Being the sole distributor of all Wavesquare's products in Mainland China, as well as Hong Kong, Macau and Taiwan, we anticipate high growth and strong potential revenue contribution from our high brightness LED business in the coming years.

We are similarly optimistic about our involvement in the distribution of LED backlight modules via the new joint venture company, FLEX Technology Limited. The company will become the first and only distributor of these high-growth components to Samsung for its TV screens and computer monitors – commencing distribution from mid-September.

In addition to high brightness LED wafers and LED for the display backlight modules, the Group will continue to source more components for distribution, thus becoming a one-stop service platform fully capable of meeting our customers' diverse needs.

To facilitate further growth of the LED business, which includes environmentally friendly and high efficiency energy saving products, the Group entered into placing and subscription agreements subsequent to the reporting period, i.e. 3 November 2009, for placement and subscription of approximately 46 million shares at HK\$0.681 per share to raise approximately HK\$31.21 million. The places included Value Partners Limited, Fuh Hwa SITE Asset Management (Hong Kong) Limited and other recognized institutional and individual investors, thus underlining the confidence that the Group inspires.

Not neglecting the distribution of traditional components, we will seek to make further progress in this area of business as well. During the review period, we successfully penetrated the Indian market owing to delivery of traditional components and will step up efforts to strengthen our position in the country as well as other markets.

Looking ahead, the Group will prudently expand its distribution portfolio with niche electronic components, keeping in mind growing demand for environmental and energy efficient products, particularly in Mainland China. The Group will also continue to develop LED wafer products to satisfy a fast growing market, and seek to capture opportunities for its design and development business.

## LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 30 September 2009 and 31 March 2009 and the corresponding gearing ratio are shown as follows:

	<b>30/9/2009</b> <b>HK\$'million</b>	31/3/2009 HK\$'million
Bank debts	<b>328.5</b>	309.3
Cash and cash equivalents	<b>109.2</b>	146.3
Equity investments at fair value through profit or loss	<b>80.8</b>	72.4
Cash and cash equivalents and Equity Investments	<b>190.0</b>	218.7
Net debt	<b>138.5</b>	90.6
Total equity	<b>313.5</b>	276.7
Net debt to total equity	<b>44%</b>	33%

As at 30 September 2009, the Group had a balance of cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$109.2 million (31 March 2009: HK\$146.3 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$80.8 million (31 March 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 30 September 2009 was 44% (31 March 2009: 33%), while the Group's total equity was HK\$313.5 million (31 March 2009: HK\$276.7 million).

Currently, the Group's bank debts are mainly on a floating rate basis and are denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business, and accordingly, the Group does not have any significant foreign exchange exposure.

The working capital position of the Group remains healthy. As at 30 September 2009, the liquidity ratio (as determined with reference to the ratio of current assets to current liabilities) was 121% (31 March 2009: 130%).

	<b>30/9/2009</b> <i>HK\$'million</i>	31/3/2009 <i>HK\$'million</i>
Current assets	<b>639.7</b>	626.2
Current liabilities	<b>(527.0)</b>	(483.3)
Net current assets	<b>112.7</b>	142.9
Current assets to current liabilities (%)	<b>121%</b>	130%

## INTERIM DIVIDEND

The Board is pleased to recommend the payment of an interim dividend of HK 3 cents (2008: Nil) per ordinary share in issue for the six months ended 30 September 2009 to be payable on or around Thursday, 17 December 2009 to the shareholders whose names appear on the registers of members of the Company at the close of business on Monday, 7 December 2009.

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Thursday, 3 December 2009 to Monday, 7 December 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividends mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 2 December 2009.

## EMPLOYEES

As at 30 September 2009, the Group employed a total of approximately 174 (31 March 2009: approximately 161) full time employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates a share option scheme for eligible employees to provide incentive to the participants for their contribution, and continuing efforts to promote the interests of the Group.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

### (A) LONG POSITION IN THE SHARES OF THE COMPANY

Name of directors	Capacity	Personal interests	Number of shares and nature of interests		
			Corporate interests	Total	Approximate percentage of shareholding
So Yuk Kwan	Interest of controlled corporations	–	253,570,189 (Note 1)	253,570,189	61.47%
So Chi On	Beneficial owner	3,750,000 (Note 2)	–	3,750,000	0.91%

Note:

- This refers to the total number of shares held by B.K.S. Company Limited ("BKS") and Jade Concept Limited ("Jade Concept") respectively. Mr. So Yuk Kwan is deemed to be interested in 253,570,189 shares of the Company by virtue of his interests in BKS and Jade Concept, the particulars are more fully described in the section headed "Interests and Short Positions of Shareholders" below.
- These shares include 3,500,000 share options granted to Mr. So Chi On by the Company on 18 July 2007.

## (B) RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Pursuant to the share option scheme adopted by the Company, certain directors were granted share options to subscribe for shares of the Company, details of which as at 30 September 2009 were as follows:

	Number of share options					Outstanding as at 30 September 2009	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	As at 1 April 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
*Lee Jeong Kwan	2,000,000	-	-	2,000,000	-	-	19/7/2007- 12/5/2012	18/7/2007	HK\$0.5
So Chi On	3,500,000	-	-	-	-	3,500,000	19/7/2007- 12/5/2012	18/7/2007	HK\$0.5
Total	<u>5,500,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>3,500,000</u>			

\* Mr. Lee Jeong Kwan resigned as the Vice Chairman and Executive Director of the Company with effect from 16 July 2009. Pursuant to the share option scheme of the Company, Mr. Lee has the right to exercise his share options within one month after his resignation. The options held by Mr. Lee lapsed on 16 August 2009.

Save as disclosed above, during the six months ended 30 September 2009, none of the directors or their associates was granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, as at 30 September 2009, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

As at 30 September 2009, options to subscribe for an aggregate of 11,500,000 shares of the Company which were granted to certain directors and employees of the Group were outstanding. Details of which were as follows:

	Number of share options					Outstanding as at 30 September 2009	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	As at 1 April 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors	5,500,000	-	-	2,000,000	-	3,500,000 (Note 1)	19/7/2007- 12/5/2012	18/7/2007	HK\$0.5
Other employees	8,000,000	-	-	-	-	8,000,000	19/7/2007- 12/5/2012	18/7/2007	HK\$0.5
<b>Total</b>	<b>13,500,000</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>11,500,000</b>			

Note:

1. Details of the options granted to the directors are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 September 2009, so far as is known to, or can be ascertained after reasonable enquiry by the directors and chief executive of the Company, the persons or corporations (other than the directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

## Long position in the shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of shareholding
B.K.S. Company Limited ("BKS")	Beneficial owner	169,274,300 ( <i>note 1</i> )	41.03%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 ( <i>note 2</i> )	19.55%
Madam Yeung Kit Ling ("Madam Yeung")	Interest of spouse	251,714,189 ( <i>note 3</i> )	61.02%

### Notes:

1. These shares are held by BKS, a company wholly owned by Mr. So Yuk Kwan ("Mr So"), as disclosed in a filing by BKS as at 7 September 2009. According to a subsequent disclosure by Mr. So, as at 30 September 2009, its interest had increased to 172,930,300 shares.
2. Jade Concept is beneficially owned by Mr. So. By virtue of the SFO, Mr. So is deemed to be interested in 80,639,889 shares of the Company held by Jade Concept.
3. Madam Yeung, the spouse of Mr. So, is deemed to be interested in these shares held by Mr. So, as disclosed in a filing as at 17 September 2009. According to a subsequent disclosure by Mr. So, as at 30 September 2009, his interest had increased to 253,570,189 shares. Accordingly, Madam Yeung is deemed to be interested in 253,570,189 shares.

Save as disclosed above, as at 30 September 2009, the Company has not been notified by any person or corporation (other than the directors and chief executive of the Company whose interests are set out above) having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## PURCHASE, REDEMPTION OR SALE OF SECURITIES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board of Directors, 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 ("Listing Rules") throughout the six months ended 30 September 2009.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2009.

## REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The Group’s unaudited condensed consolidated results for the six months ended 30 September 2009 have been reviewed by the Audit Committee of the Company.

By Order of the Board  
**AV CONCEPT HOLDINGS LIMITED**  
**So Yuk Kwan**  
*Chairman*

Hong Kong, 18 November 2009

*As at the date of this document, 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.*