

2008/09
Interim Report



AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 595

INCOME STATEMENT HIGHLIGHTS

	Six Months Ended	
	30/9/2008 HK\$'million	30/9/2007 HK\$'million
Revenue	<u>1,145.0</u>	<u>1,640.4</u>
(Loss)/earnings before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(30.1)	18.9
– Marketing and distribution	12.3	26.6
– Design and manufacture	0.1	(3.0)
	<u>(17.7)</u>	<u>42.5</u>
Depreciation, amortisation and non-cash items	<u>(2.5)</u>	<u>(7.2)</u>
(Loss)/profit for the period	<u>(27.5)</u>	<u>16.8</u>
Interim dividend	<u>–</u>	<u>8.6</u>

BALANCE SHEET HIGHLIGHTS

	30/9/2008 HK\$'million	31/3/2008 HK\$'million
Total assets	929.6	971.8
Total assets less current liabilities	325.6	360.1
Total equity	319.1	352.1
Bank debts	<u>385.1</u>	<u>437.0</u>
Cash and cash equivalents	116.2	121.4
Equity investments at fair value through profit or loss	140.4	174.4
Cash and cash equivalents and equity investments	<u>256.6</u>	<u>295.8</u>
Net debt	<u>128.5</u>	<u>141.2</u>
Net debt to total equity (%)	40%	40%
Current assets to current liabilities (%)	128%	136%
Cash and cash equivalents and equity investments per share (HK\$)	0.62	0.71
Total equity per share (HK\$)	0.77	0.85

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 the “Group”) for the six months ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2008	2007
	Notes	<i>(Unaudited)</i> <i>HK\$'000</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
REVENUE	3	1,144,965	1,640,397
Cost of sales		(1,090,332)	(1,573,758)
Gross profit		54,633	66,639
Other income and (loss)/gains	4	(22,814)	30,250
Selling and distribution costs		(1,855)	(4,887)
Administrative expenses		(43,523)	(44,611)
Equity-settled share-based payment expenses		–	(3,300)
Other expenses		(5,629)	(8,755)
Share of losses of associates		(1,025)	–
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(20,213)	35,336
Finance costs	5	(5,720)	(12,670)
(LOSS)/PROFIT BEFORE TAX	6	(25,933)	22,666
Tax	7	(1,528)	(5,829)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(27,461)	16,837
INTERIM DIVIDEND	8	–	8,632
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		(6.6 cents)	4.1 cents
Diluted		(6.6 cents)	4.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		82,143	70,563
Other intangible assets		1,611	1,647
Investment in associates		31,240	29,545
Available-for-sale investments	10	18,262	18,262
Convertible note receivable – loan portion		24,169	22,718
		<hr/>	<hr/>
Total non-current assets		157,425	142,735
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories	11	207,214	252,001
Trade receivables	12	281,178	255,197
Prepayments, deposits and other receivables		27,141	26,070
Equity investments at fair value through profit or loss	13	140,398	174,370
Cash and bank balances		114,242	90,006
Time deposits		2,000	31,402
		<hr/>	<hr/>
Total current assets		772,173	829,046
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables and accrued expenses	14	188,235	143,913
Due to a related company		–	1,458
Interest-bearing bank borrowings		378,510	429,071
Finance lease payables		476	301
Tax payable		36,751	36,952
		<hr/>	<hr/>
Total current liabilities		603,972	611,695
		<hr/>	<hr/>
NET CURRENT ASSETS		168,201	217,351
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	325,626	360,086
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	6,162	7,314
Finance lease payables	–	338
Deferred tax liabilities	358	358
	<hr/>	<hr/>
Total non-current liabilities	6,520	8,010
	<hr/>	<hr/>
Net assets	319,106	352,076
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	41,499	41,499
Reserves	277,607	306,427
Proposed final dividend	–	4,150
	<hr/>	<hr/>
Total equity	319,106	352,076
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Attributable to equity holders of the Company							Total (Unaudited) HK\$'000
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Equity-settled share-based payment expenses reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	
As at 1 April 2007	40,508	156,300	13,872	-	479	134,269	-	345,428
Exchange realignment	-	-	-	-	145	-	-	145
Total income and expenses recognised directly in equity	-	-	-	-	145	-	-	145
Equity-settled share-based payment expenses	-	-	-	3,300	-	-	-	3,300
Exercise of share options	2,650	12,786	-	(2,186)	-	-	-	13,250
Profit for the period	-	-	-	-	-	16,837	-	16,837
Total income and expenses for the period	2,650	12,786	-	1,114	145	16,837	-	33,532
Proposed interim dividend	-	-	-	-	-	(8,632)	-	(8,632)
As at 30 September 2007	<u>43,158</u>	<u>169,086</u>	<u>13,872</u>	<u>1,114</u>	<u>624</u>	<u>142,474</u>	<u>-</u>	<u>370,328</u>
As at 1 April 2008	41,499	161,038	15,531	1,114	4,664	124,080	4,150	352,076
Exchange realignment	-	-	-	-	(1,359)	-	-	(1,359)
Total income and expenses recognised directly in equity	-	-	-	-	(1,359)	-	-	(1,359)
Loss for the period	-	-	-	-	-	(27,461)	-	(27,461)
Total income and expenses 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>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months Ended	
	30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	67,553	(77,176)
Net cash (outflow)/inflow from investment activities	(9,614)	88,729
Net cash (outflow)/inflow from financing activities	(61,746)	35,537
Net (decrease)/increase in cash and cash equivalents	(3,807)	47,090
Cash and cash equivalents at beginning of period	121,408	139,161
Effect of foreign exchange rate changes, net	(1,359)	–
Cash and cash equivalents at end of period	116,242	186,251
Analysis of balances of cash and cash equivalents		
Cash and bank balances	114,242	63,140
Time deposits with original maturity of less than three months when acquired	2,000	123,111
	116,242	186,251

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.

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 2008.

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 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating segments
HKAS 1 (Revised)	Presentation of Financial Statement
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvement to HKFRSs

3. SEGMENT INFORMATION

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

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

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By business segment:				
Marketing and distribution	1,109,483	1,617,392	10,116	25,027
Design and manufacture	35,482	23,005	722	(4,597)
	<u>1,144,965</u>	<u>1,640,397</u>	<u>10,838</u>	<u>20,430</u>
Interest income			2,266	2,302
Fair value (loss)/gains on equity investments at fair value through profit or loss			(27,210)	26,914
Equity-settled share-based payment expenses			–	(3,300)
Share of losses of associates			(1,025)	–
Unallocated corporate expenses			(5,082)	(11,010)
(Loss)/profit from operating activities			(20,213)	35,336
Finance costs			(5,720)	(12,670)
(Loss)/profit before tax			(25,933)	22,666
Tax			(1,528)	(5,829)
(Loss)/profit for the period			<u>(27,461)</u>	<u>16,837</u>

3. SEGMENT INFORMATION (Continued)

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

	Six months ended	
	30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Geographical segment:		
Hong Kong	812,542	1,205,553
Singapore	295,051	418,817
Korea	21,687	1,136
Other locations	15,685	14,891
	<u>1,144,965</u>	<u>1,640,397</u>

4. OTHER INCOME AND (LOSS)/GAINS

	Six months ended	
	30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Fair value (loss)/gains on equity investments		
at fair value through profit or loss	(27,210)	26,914
Dividend income from listed investments	1,114	881
Bank interest income	815	2,302
Other interest income	1,451	-
Others	1,016	153
	<u>(22,814)</u>	<u>30,250</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Interest on bank and mortgage loans	5,695	12,614
Interest on finance leases	25	56
	<u>5,720</u>	<u>12,670</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Depreciation	2,546	3,917
Gain on disposal of items of property, plant and equipment	(33)	(105)
Exchange losses/(gains), net	3,133	(196)
	<u>3,133</u>	<u>(196)</u>

7. TAX

The Hong Kong profits tax is calculated at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2008. 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.

	Six months ended 30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Provision for tax for the period	1,528	5,829
	<u>1,528</u>	<u>5,829</u>

8. INTERIM DIVIDEND

	Six months ended	
	30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Proposed interim – Nil (2007: HK2 cents per ordinary share)	<u>–</u>	<u>8,632</u>

The directors do not recommend the payment of an interim dividend for the period. (2007: HK2 cents per ordinary share).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share is based on the (loss)/profit 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 (loss)/earnings per share is based on the (loss)/profit for the period attributable to ordinary equity holders of the company. 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 (loss)/earnings 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 (loss)/earnings per share are based on:

	Six months ended	
	30 September	
	2008	2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Earnings:		
(Loss)/profit attributable to ordinary equity holders of the company, used in basic and diluted (loss)/earnings per share calculation	<u>(27,461)</u>	<u>16,837</u>
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	414,994	415,009
Effect of dilution-weighted average number of ordinary shares: Share options	<u>–</u>	<u>1,099</u>
Total	<u>414,994</u>	<u>416,108</u>

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Unlisted equity investments, at cost	18,262	18,262
Provision for impairment	—	—
	<u>18,262</u>	<u>18,262</u>

The balances as at 30 September 2008 and 31 March 2008 included the equity investments of HK\$18,262,000 which was designated as available-for-sale investments.

During the six months ended 30 September 2008, 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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Raw materials	1,498	7,895
Finished goods	205,716	244,106
	<u>207,214</u>	<u>252,001</u>

12. TRADE 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.

12. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at 30 September 2008, based on invoice due date and net of provisions, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current	165,488	146,173
1 – 30 days	74,724	58,468
31 – 60 days	10,956	26,928
Over 60 days	30,010	23,628
	<u>281,178</u>	<u>255,197</u>

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Managed funds, outside Hong Kong, at market value	82,664	102,995
Listed equity investments, at market value:		
Hong Kong	45,578	47,564
Elsewhere	12,156	23,811
	<u>140,398</u>	<u>174,370</u>

All the above investments as at 30 September 2008 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 2008, based on invoice due date, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current	76,128	85,639
1 – 30 days	72,887	25,630
31 – 60 days	2,147	1,018
Over 60 days	5,611	–
	<hr/>	<hr/>
	156,773	112,287
Accrued expenses	31,462	31,626
	<hr/>	<hr/>
	188,235	143,913
	<hr/> <hr/>	<hr/> <hr/>

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 2008, the Company had 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 13,500,000 additional ordinary shares of the Company and additional share capital of HK\$1,350,000 and share premium of HK\$5,400,000 (before issue expenses). At the date of approval of these condensed consolidated interim financial statements, the Company had 13,500,000 share options outstanding under the Scheme, which represented approximately 3.3% of the Company's shares in issue as at that date.

During the six months ended 30 September 2008, equity-settled share-based payment expenses were amounted to Nil (2007: HK\$3,300,000).

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2008, with the comparative figures for the corresponding six months period of 2007.

	Six Months Ended	
	30/9/2008 <i>HK\$'million</i>	30/9/2007 <i>HK\$'million</i>
Revenue		
Marketing and distribution	1,109.5	1,617.4
Design and manufacture	35.5	23.0
	<u>1,145.0</u>	<u>1,640.4</u>
(Loss)/earnings before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(30.1)	18.9
Marketing and distribution	12.3	26.6
Design and manufacture	0.1	(3.0)
	<u>(17.7)</u>	<u>42.5</u>
Depreciation, amortisation and non-cash items		
Corporate	(0.3)	–
Marketing and distribution	(2.2)	(2.3)
Design and manufacture	–	(1.6)
Equity-settled share-based payment expenses	–	(3.3)
	<u>(2.5)</u>	<u>(7.2)</u>
(Loss)/earnings before interest and tax	(20.2)	35.3
Interest expenses	(5.7)	(12.7)
(Loss)/profit before tax	(25.9)	22.6
Tax	(1.6)	(5.8)
(Loss)/profit for the period	<u>(27.5)</u>	<u>16.8</u>

BUSINESS REVIEW

For the six months ended 30 September 2008, the Group's turnover was HK\$1,145 million, representing a decrease of 30.2% as compared with the last corresponding period (2007: HK\$1,640.4 million). EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and non-cash items) for the period recorded a loss of HK\$17.7 million (2007: earnings of HK\$42.5 million), decreased by 141.6%.

The change in financial performance was mainly due to the following reasons:

- the decrease in fair value on equity investments at fair value through profit or loss;
- the operating environment of the flash memory product market remained competitive since the second half of the year ended 31 March 2008.

Marketing and Distribution Business

For the period under review, turnover of the business segment decreased by 31.4% to HK\$1,109.5 million (2007: HK\$1,617.4 million). There has been a slump in the demand for flash memory products since the second half of the year ended 31 March 2008. The price erosion of flash products continued to affect the profit margin and sales volume of the Group's flash memory distribution business during the period under review. EBITDA of this segment lowered to HK\$12.3 million (2007: HK\$26.6 million).

To cope with the reduction in demand for flash memory products, the Group has tightened credit and inventory controls to mitigate the impact. The Group has also diversified its product mix and developed niche and high margin markets.

In October 2007, the Group entered into the high brightness LED (Light Emitting-diode) wafer product market by acquiring 18.9% equity interest in a Korea-based company Wavesquare Inc. ("Wavesquare"). Trial run commenced in the last quarter of 2008. Mass production is expected to take place in the first quarter of 2009. Once production begins, the Group will distribute all Wavesquare's products in Asia regions, with exclusive distribution rights in Hong Kong, Mainland China, Macao and Taiwan.

Design and Manufacturing Business

Turnover improved from HK\$23.0 million to HK\$35.5 million. The segment recorded a positive EBITDA of HK\$0.1 million during the period under review (2007: segmental negative EBITDA was HK\$3.0 million).

Sales of niche market electronics and special care products continued to achieve steady growth with one of the world's largest market players of low-vision-aid electronics products being its client.

PROSPECTS

Despite ongoing financial market turmoil and a deteriorating outlook for global growth have played, we are still confident that the Group will be able to maintain the margin of the business in the market undergoing consolidation by actively diversifying its distribution product mix and expanding its customer base. The management will continue to explore new business opportunities and develop niche and high margin markets with growth potential.

The Group will continue to tighten cost control measures and diversify its distribution portfolio to achieve better cost effectiveness.

The difficult operating environment of the market and distribution business has given the Group an opportunity to demonstrate its ability to cope with the downturn of the economy. While a number of distributors were ousted from the market, the Group has continued to strengthen its edge of being a "one-stop" service platform to capture the market share. Although the global economy is in a slump, squeezing the margins of the Group's core business, the domestic demand in Mainland China remains vigorous. Riding on our extensive distribution network in Mainland China, the Group is able to grasp suitable opportunities and expand its distribution portfolio.

Having invested in the high brightness LED sector since October 2007, the Group is able to capture an increasing share from the traditional lighting market. The demand for LED is expected to experience substantial growth in the coming 2 to 3 years. The Group sees strong potential in this business and expects the segment to break even in the third quarter of financial year of 31 March 2010.

While capturing the potential growth in LED business, the Group has also attracted Dowa Holdings Co Ltd (“Dowa”) to invest in the LED project. Dowa, which is listed on the Tokyo, Nagoya and Fukuoka Stock Exchanges and the Osaka and Sapporo Securities Exchanges, is one of the largest LED players in the IR LED market. This strategic partnership allows the Group to bring in the production techniques and quality control process from the leader of the LED market – a leap in the research and development of LED for the Group to enter the Japanese market. In terms of distribution, trademark and licensing, the Group will also be benefited from the established network, knowledge and resources of Dowa.

Backed by a proven distribution network in the Greater China region, the Group will strive to deliver solid results by winning customers in the LED market and thus increase the portion of higher margin products which will eventually help to improve the Group’s overall net profit.

Looking forward, the Group expects the global economic environment to remain challenging and to continue impacting its performance. At the same time, it is clear that the Group’s existing focus on stringent cost controls and development of higher margin new businesses are on track and will position it to tap more growth when the economy and the market rebound.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 30 September 2008 and 31 March 2008 and the corresponding gearing ratio are shown as follows:

	30/9/2008 HK\$'million	31/3/2008 HK\$'million
Bank debts	385.1	437.0
Cash and cash equivalents	116.2	121.4
Equity investments at fair value through profit or loss	140.4	174.4
Cash and cash equivalents and Equity investments	256.6	295.8
Net debt	128.5	141.2
Total equity	319.1	352.1
Net debt to total equity	40%	40%

As at 30 September 2008, the Group had a balance of cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$116.2 million (31 March 2008: HK\$121.4 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$140.4 million (31 March 2008: HK\$174.4 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The net debt to total equity ratio as at 30 September 2008 was 40% (31 March 2008: 40%), while the Group's total equity was HK\$319.1 million (31 March 2008: HK\$352.1 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 2008, the liquidity ratio (as determined with reference to the ratio of current assets to current liabilities) was 128% (31 March 2008: 136%).

	30/9/2008 HK\$'million	31/3/2008 HK\$'million
Current assets	772.2	829.0
Current liabilities	(604.0)	(611.7)
	<hr/>	<hr/>
Net current assets	168.2	217.3
	<hr/> <hr/>	<hr/> <hr/>
Current assets to Current liabilities (%)	128%	136%
	<hr/> <hr/>	<hr/> <hr/>

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.

EMPLOYEES

As at 30 September 2008, the Group employed a total of approximately 171 (31 March 2008: approximately 160) 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 2008, 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	Number of shares and nature of interests			Approximate percentage of shareholding
		Personal interests	Corporate interests	Total	
So Yuk Kwan	Interest of controlled corporations	-	247,248,189 (Note)	247,248,189	59.58%

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 247,248,189 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.

(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 2008 were as follows:

	Number of share options					Outstanding as at 30 September 2008	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	As at 1 April 2008	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>-</u>	<u>-</u>	<u>5,500,000</u>			

Save as disclosed above, during the six months ended 30 September 2008, 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 2008, 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 2008, options to subscribe for an aggregate of 13,500,000 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 2008	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	As at 1 April 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors	5,500,000	-	-	-	-	5,500,000	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
Total	<u>13,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,500,000</u>			

Notes:

1. Details of the options granted to the directors are set out in the section headed "Director's 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 2008, 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	166,608,300 (<i>note 1</i>)	40.15%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 (<i>note 2</i>)	19.43%
Madam Yeung Kit Ling ("Madam Yeung")	Interest of spouse	247,248,189 (<i>note 3</i>)	59.58%

Notes:

1. BKS is beneficially owned by Mr. So Yuk Kwan ("Mr. So"). By virtue of the SFO, Mr. So is deemed to be interested in 166,608,300 shares of the Company held by BKS.
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. As Madam Yeung is the spouse of Mr. So, by virtue of the SFO, she is deemed to be interested in all shares of the Company in which Mr. So is interested.

Save as disclosed above, as at 30 September 2008, 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 2008, 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 2008.

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 2008.

REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The Group's unaudited consolidated results for the six months ended 30 September 2008 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, 12 December 2008

As at the date of this document, the Board comprises three executive directors, Mr. So Yuk Kwan (Chairman), Mr. Lee Jeong Kwan, 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.