



AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 595

INTERIM REPORT 2010-11



INCOME STATEMENT HIGHLIGHTS

	Six Months Ended	
	30/9/2010 HK\$'million	30/9/2009 HK\$'million
Revenue	1,173.1	1,239.7
Earnings before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	5.8	24.0
– Marketing and distribution	29.9	29.9
– Product design and development	13.7	(2.2)
	49.4	51.7
Depreciation, amortisation and non-cash items	(4.3)	(7.1)
Profit for the period attributable to:		
Equity holders of the Company	37.0	36.2
Non-controlling interests	(0.3)	–
	36.7	36.2
Interim dividend	15.7	13.8

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	30/9/2010 HK\$'million	31/3/2010 HK\$'million
Total assets	1,130.7	871.2
Total assets less current liabilities	462.5	388.7
Total equity	457.3	381.1
Bank debts	488.4	369.1
Cash and cash equivalents	88.1	151.8
Equity investments at fair value through profit or loss	82.2	104.8
Cash and cash equivalents and equity investments	170.3	256.6
Net debt	318.1	112.5
Net debt to total equity (%)	70%	30%
Current assets to current liabilities (%)	109%	129%
Cash and cash equivalents and equity investments per share (HK\$)	0.33	0.33
Total equity per share (HK\$)	0.87	0.82

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 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
REVENUE	3	1,173,076	1,239,676
Cost of sales		<u>(1,106,239)</u>	<u>(1,175,824)</u>
Gross profit		66,837	63,852
Other income and gains	4	14,100	6,370
Selling and distribution costs		(17,976)	(14,757)
Administrative expenses		(44,862)	(31,961)
Fair value gains on equity investments at fair value through profit or loss		6,305	34,399
Fair value losses on derivative instrument at fair value through profit or loss		(7,178)	(4,889)
Fair value gain on remeasurement of investment		5,613	–
Other expenses		(1,093)	(7,506)
Share of profits and losses of: a jointly-controlled entity associates		10,072	–
		<u>13,307</u>	<u>(895)</u>
PROFIT FROM OPERATING ACTIVITIES		45,125	44,613
Finance costs	5	<u>(7,562)</u>	<u>(4,599)</u>
PROFIT BEFORE TAX	6	37,563	40,014
Income tax	7	<u>(814)</u>	<u>(3,849)</u>
PROFIT FOR THE PERIOD		<u>36,749</u>	<u>36,165</u>
Attributable to:			
Equity holders of the Company		37,063	36,165
Non-controlling interests		<u>(314)</u>	<u>–</u>
		<u>36,749</u>	<u>36,165</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>7.3 cents</u>	<u>8.8 cents</u>
Diluted		<u>7.3 cents</u>	<u>8.8 cents</u>
INTERIM DIVIDEND	8	<u>15,701</u>	<u>13,751</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	36,749	36,165
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations and other comprehensive income for the period, net of tax	(55)	635
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36,694	36,800
Attributable to:		
Equity holders of the Company	37,008	36,800
Non-controlling interests	(314)	–
	36,694	36,800

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		66,016	68,245
Investment property		22,988	22,679
Other intangible assets	10	29,320	1,567
Interest in a jointly-controlled entity		46,912	32,638
Interests in associates		194,390	61,781
Available-for-sale investments	11	14,529	45,924
Other deposit		17,050	17,050
Goodwill	12	13,080	–
		<hr/>	<hr/>
Total non-current assets		404,285	249,884
		<hr/>	<hr/>
CURRENT ASSETS			
Convertible note receivable			
– loan portion		–	22,516
Inventories	13	238,061	106,355
Trade and bills receivables	14	256,235	209,889
Prepayments, deposits and other receivables		54,954	20,130
Due from a related company		6,817	5,759
Equity investments at fair value through profit or loss	15	82,182	104,843
Time deposits		–	17,421
Cash and bank balances		88,140	134,395
		<hr/>	<hr/>
Total current assets		726,389	621,308
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables and accrued expenses	16	164,991	99,372
Interest-bearing bank borrowings		487,524	368,116
Finance lease payables		224	224
Tax payable		9,853	9,154
Financial guarantee obligation		5,591	5,591
		<hr/>	<hr/>
Total current liabilities		668,183	482,457
		<hr/>	<hr/>
NET CURRENT ASSETS		58,206	138,851
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2010 (Unaudited) <i>HK\$'000</i>	31 March 2010 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		462,491	388,735
NON-CURRENT LIABILITIES			
Derivative financial instrument	18	–	6,698
Finance lease payables		617	729
Deferred tax liabilities		<u>4,565</u>	<u>231</u>
Total non-current liabilities		<u>5,182</u>	<u>7,658</u>
Net assets		<u>457,309</u>	<u>381,077</u>
EQUITY			
Issued capital		52,336	46,636
Reserves		385,450	313,507
Proposed dividends		<u>15,701</u>	<u>20,934</u>
Equity attributable to equity holders of the Company		453,487	381,077
Non-controlling interests		<u>3,822</u>	<u>–</u>
Total equity		<u>457,309</u>	<u>381,077</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	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 dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
As at 1 April 2009	41,252	160,807	15,778	1,114	217	57,524	-	276,692	-	276,692
Total comprehensive income for the period	-	-	-	-	635	36,165	-	36,800	-	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>	<u>-</u>	<u>313,492</u>
As at 1 April 2010	46,636	191,298	15,778	2,660	4,155	99,616	20,934	381,077	-	381,077
Total comprehensive income for the period	-	-	-	-	(55)	37,063	-	37,008	(314)	36,694
Placing of shares	5,700	54,150	-	-	-	-	-	59,850	-	59,850
Share issue expenses	-	(3,514)	-	-	-	-	-	(3,514)	-	(3,514)
Remeasurement of investment	-	-	-	-	-	-	-	-	4,136	4,136
Final 2010 dividend	-	-	-	-	-	-	(20,934)	(20,934)	-	(20,934)
Proposed interim 2011 dividend	-	-	-	-	-	(15,701)	15,701	-	-	-
As at 30 September 2010	<u>52,336</u>	<u>241,934</u>	<u>15,778</u>	<u>2,660</u>	<u>4,100</u>	<u>120,978</u>	<u>15,701</u>	<u>453,487</u>	<u>3,822</u>	<u>457,309</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash outflow from operating activities	(125,808)	(61,410)
Net cash inflow/(outflow) from investment activities	(113,398)	9,815
Net cash inflow from financing activities	<u>176,142</u>	<u>14,599</u>
Net decrease in cash and cash equivalents	(63,064)	(36,996)
Cash and cash equivalents at beginning of period	151,214	146,329
Effect of foreign exchange rate changes, net	<u>(10)</u>	<u>(168)</u>
Cash and cash equivalents at end of period	<u>88,140</u>	<u>109,165</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	88,140	80,104
Time deposits with original maturity of less than three months when acquired	<u>—</u>	<u>29,061</u>
	<u>88,140</u>	<u>109,165</u>

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 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared under the historical cost convention except for certain financial instruments which are stated at fair values.

In the current period, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA ("New HKFRSs") that are relevant to the Group's operations and mandatory for annual periods beginning 1 April 2010. The adoption of these New HKFRSs has resulted in a change to the Group's accounting policies in respect of business combinations as detailed below. Except for these changes, the accounting policies applied in these interim financial statements are consistent with those applied in the 2010 annual report.

The Group has not early adopted those New HKFRSs that are issued but not yet effective. The Group is in the process of assessing their impact on the Group's results and financial position.

Business combinations

HKFRS 3 (Revised) "Business combinations" and consequential amendments to HKAS 27 "Consolidated and separate financial statements" are effective for the Group prospectively with effect from 1 April 2010. HKFRS 3 (Revised) introduces significant changes in the Group's accounting for business combinations. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. Furthermore, the revised standard changes the accounting for business combinations achieved in stages. Under HKFRS 3 (Revised), the Group's previously held interests in the acquired entity are re-measured to fair value at the date the Group attains control and the resulting gain or loss, if any, is recognised in the income statement, and any comprehensive income recognised in prior periods in relation to the previously held interests is also reclassified to the income statement as if those interests were directly disposed of.

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 product design, development 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	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By business segments:				
Marketing and distribution	1,117,050	1,209,157	19,898	28,185
Product design and development	56,026	30,519	1,770	(1,331)
	1,173,076	1,239,676	21,668	26,854
Bank interest income			243	299
Interest income from debt securities			391	–
Interest income from a convertible note receivable			1,669	1,038
Dividend income from listed investments			370	588
Management fee income from associates			3,287	–
Rental income			589	–
Gain on disposal of items of property, plant and equipment			16	381
Share of profit of a jointly-controlled entity			10,072	–
Share of profits/(losses) of associates			13,307	(895)
Fair value gains on equity investments at fair value through profit or loss, net			6,305	34,399
Fair value losses on derivative instrument at fair value through profit or loss			(7,177)	(4,889)
Fair value gain on remeasurement of investment			5,613	–
Unallocated expenses			(11,228)	(13,162)
Profit from operating activities			45,125	44,613
Finance costs			(7,562)	(4,599)
Profit before tax			37,563	40,014

3. SEGMENT INFORMATION (continued)

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Geographical segment:		
Hong Kong	624,213	907,620
Singapore	500,559	305,186
Korea	37,710	2,598
Other locations	10,594	24,272
	<u>1,173,076</u>	<u>1,239,676</u>

4. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	243	299
Interest income from a convertible note receivable	1,669	1,038
Dividend income from listed investments	370	588
Interest income from debt securities	391	–
Rental income	589	–
Management fee income from associates	3,287	–
Gain on disposal of items of property, plant and equipment	16	381
Others	7,535	4,064
	<u>14,100</u>	<u>6,370</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and mortgage loans	7,546	4,552
Interest on finance leases	16	47
	<u>7,562</u>	<u>4,599</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation & amortization	4,294	2,501
Loss/(gain) on disposal of items of property, plant and equipment	16	(381)
Exchange (gain)/losses, net	(1,773)	4,369
	<u> </u>	<u> </u>

7. INCOME TAX

The Hong Kong profits tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2010. 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for tax for the period	1,052	3,849
Deferred	(238)	—
	<u> </u>	<u> </u>
Total tax charge/(credit) for the period	814	3,849
	<u> </u>	<u> </u>

8. INTERIM DIVIDEND

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim – HK 3 cents (2009: HK 3 cents) per ordinary share	15,701	13,751
	<u> </u>	<u> </u>

The Board of Directors has resolved to declare an interim dividend of HK 3 cents in issue in respect of the six months ended 30 September 2010 (2009: HK3 cents) per ordinary share payable on or around 17 December 2010 to shareholders whose names appear on the register of members of the Company on 7 December 2010.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the 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 earnings per share is based on the profit 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 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 per share are based on:

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in basic and diluted earnings per share calculation	37,063	36,165
	_____	_____
	Number of Shares	
	2010	2009
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	506,135,144	412,524,419
Effect of dilution-weighted average number of ordinary shares:		
Share options	3,817,419	–
	_____	_____
Total	509,952,563	412,524,419
	_____	_____

10. OTHER INTANGIBLE ASSETS

	Golf club memberships <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Customer relationship <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 September 2009				
Cost	2,344	59	–	2,403
Accumulated amortisation and impairment	(838)	(20)	–	(858)
Net carrying amount	<u>1,506</u>	<u>39</u>	<u>–</u>	<u>1,545</u>
Cost at 1 April 2010, net of accumulated amortisation and impairment	1,531	36	–	1,567
Additions	1,950	–	–	1,950
Acquisition of subsidiaries	–	–	27,709	27,709
Amortisation provided during the period	(17)	(3)	(1,886)	(1,906)
At 30 September 2010	<u>3,464</u>	<u>33</u>	<u>25,823</u>	<u>29,320</u>
At 30 September 2010:				
Cost	2,344	59	–	2,403
Additions	1,950	–	–	1,950
Acquisition of subsidiaries	–	–	27,709	27,709
Accumulated amortisation and impairment	(830)	(26)	(1,886)	(2,742)
Net carrying amount	<u>3,464</u>	<u>33</u>	<u>25,823</u>	<u>29,320</u>
At 31 March 2009 and 1 April 2009:				
Cost	2,344	59	–	2,403
Accumulated amortisation and impairment	(831)	(17)	–	(848)
Net carrying amount	<u>1,513</u>	<u>42</u>	<u>–</u>	<u>1,555</u>
Cost at 1 April 2009, net of accumulated amortisation and impairment	1,513	42	–	1,555
Amortisation provided during the period	(33)	(6)	–	(39)
Exchange realignment	51	–	–	51
At 31 March 2010	<u>1,531</u>	<u>36</u>	<u>–</u>	<u>1,567</u>
At 31 March 2010:				
Cost	2,431	59	–	2,490
Accumulated amortisation and impairment	(900)	(23)	–	(923)
Net carrying amount	<u>1,531</u>	<u>36</u>	<u>–</u>	<u>1,567</u>

10. OTHER INTANGIBLE ASSETS (continued)

Golf club memberships

The Group's golf club memberships are stated at cost less any accumulated amortisation and any accumulated impairment losses, on an individual basis.

Trademarks and Customer relationship

Trademarks and customer relationship are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Unlisted equity investments, at cost	14,529	49,845
Provision for impairment	–	(3,921)
	14,529	45,924

The balance as at 30 September 2010 and 31 March 2010 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 2010, 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.

12. GOODWILL

	2010 HK\$'000
At 1 April 2010	–
Arising on acquisition of subsidiaries	13,080
At 30 September 2010	13,080

For the purpose of impairment testing, goodwill have been allocated to the CGUs of marketing and distribution business. The recoverable amount of the CGUs has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is budgeted growth rate, which is determined based on past performance and management's expectations for the market development.

No impairment on goodwill was noted. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

13. INVENTORIES

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Finished goods	<u>238,061</u>	<u>106,355</u>
	<u>238,061</u>	<u>106,355</u>

14. 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 2010, based on invoice due date and net of provisions, is as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Current	189,565	148,064
1 – 30 days	50,048	53,693
31 – 60 days	7,888	727
Over 60 days	8,734	2,793
	<u>256,235</u>	<u>205,277</u>

An aged analysis of the bills receivables as at 30 September 2010, based on payment due date, is as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Current	<u>-</u>	<u>4,612</u>

15. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Managed funds, outside Hong Kong, at market value	37,969	57,512
Listed equity investments, at market value		
Hong Kong	13,461	18,962
Elsewhere	10,388	8,253
Listed debt investments, Hong Kong, at market value	20,364	20,116
	<u>82,182</u>	<u>104,843</u>

All the above investments as at 30 September 2010 were classified as held for trading.

16. TRADE PAYABLES AND ACCRUED EXPENSES

An aged analysis of the trade payables and accrued expenses as at 30 September 2010, based on invoice due date, is as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Current	91,321	73,368
1 – 30 days	31,582	4,835
31 – 60 days	2,117	348
Over 60 days	8,559	1,595
	<u>133,579</u>	<u>80,146</u>
Accrued expenses	31,412	19,226
	<u>164,991</u>	<u>99,372</u>

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.

17. 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 2010, the Company had 12,820,000 share options (2009: 11,500,000 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 12,820,000 additional ordinary shares of the Company and additional share capital of HK\$1,282,000 and share premium of HK\$9,881,200 (before issue expenses). At the date of approval of these condensed consolidated interim financial statements, the Company had 12,820,000 share options outstanding under the Scheme, which represented approximately 2.5% of the Company's shares in issue as at that date.

During the six months ended 30 September 2010, equity-settled share-based payment expenses were amounted to Nil (2009: Nil).

18. DERIVATIVE FINANCIAL INSTRUMENT

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) 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 in the prior year.

In June 2010, the interest rate swap was partially early terminated to the notional amount of HK\$100,000,000.

The remaining notional amount of HK\$100,000,000 was also early terminated in September 2010.

19. ACQUISITION OF SUBSIDIARIES

On 1 April 2010, the Group acquired an additional 1% equity interest in a former associate, Signeo Design International Limited ("SDI"), for a cash consideration of HK\$100,000, and SDI has become a non-wholly-owned subsidiary of the Group. The principal activity of SDI is trading of electronic consumer products.

On 4 August 2010, the Group acquired all equity interest in Ditec Company Limited ("Ditec") for a cash consideration of HK\$28,000,000. The principal activity of Ditec is trading of electronic components.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amounts before combinations	Fair value adjustments	Fair value recognised on acquisition
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	87	–	87
Available-for-sale investments	8,541	–	8,541
Inventories	8,936	–	8,936
Trade and other receivables	22,393	–	22,393
Amount due from ex-shareholders	9,266	–	9,266
Cash and bank balances	3,998	–	3,998
Trade and other payables	(52,898)	–	(52,898)
Intangible assets in relation to customer relationship	–	27,710	27,710
Deferred tax liabilities	–	(4,572)	(4,572)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets at fair value	323	23,138	23,461
Non-controlling interests			(4,136)
Goodwill			13,080
			<hr/>
			32,405
Total consideration satisfied by:			
Remeasurement of investment previously held			4,305
Cash consideration			28,100
			<hr/>
			32,405
			<hr/>
Net cash outflow arising on acquisition:			
Cash consideration paid			(28,100)
Amount due from ex-shareholders offset			9,266
Bank balances and cash			3,998
			<hr/>
			(14,836)
			<hr/>

20. EVENT AFTER THE BALANCE SHEET DATE

On 13 October 2010, the Group has noted, and would like to draw the attention of its shareholders, that Accupix Co., Ltd ("Accupix") has entered into a merger agreement with Tellord Co., Ltd ("Tellord"), a company whose shares are listed on KOSDAQ, with an intent to implement a merger of the two companies with Tellord as the surviving entity. The Merger is conditional and may or may not proceed. Should the Merger proceed, upon registered completion of the Merger, which is scheduled to take place on 31 December 2010 as announced by Tellord, shareholders of Accupix will become shareholders of Tellord (in the proportion of 4.42568 new Tellord shares for each single Accupix share). The Group is currently interested in 827,333 Accupix shares, representing approximately 22.66% of the issued share capital of Accupix. The value of the Tellord shares that may be exchanged for the Accupix shares held by the Group will be dependent on the then market value of Tellord shares upon completion of the Merger.

On 14 October 2010, the Group has further noted that as stated in public documents published by Tellord, Tellord has proposed to implement a capital reduction by way of share consolidation before the completion of the merger, whereby every four existing shares of Tellord before completion of the merger will be consolidated into one consolidated share of Tellord ("Tellord Consolidated Shares"). Upon registered completion of merger, shareholders of Accupix will become shareholders of Tellord in the proportion of 4.42568 Tellord Consolidated Shares for each single Accupix share.

It is estimated that, upon registered completion of merger, approximately 85% of the total issued share capital of Tellord will be owned by the existing shareholders of Accupix. According to the valuation report prepared by a valuer appointed by Tellord and dated 12 October 2010, the appraised value of Accupix is approximately US\$147 million.

For great details of the report, please refer to the report of the Company dated 13 October 2010 and 14 October 2010 respectively.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2010, with the comparative figures for the corresponding six months period of 2009.

	Six Months Ended	
	30/9/2010 <i>HK\$'million</i>	30/9/2009 <i>HK\$'million</i>
Revenue		
Marketing and distribution	1,117.1	1,209.2
Product design and development	56.0	30.5
	<u>1,173.1</u>	<u>1,239.7</u>
Earnings before interest, tax, depreciation, amortisation and non-cash items		
Corporate	5.8	24.0
Marketing and distribution	29.9	29.9
Product design and development	13.7	(2.2)
	<u>49.4</u>	<u>51.7</u>
Depreciation, amortisation and non-cash items		
Corporate	(0.6)	(0.4)
Marketing and distribution	(2.2)	(1.7)
Product design and development	(1.5)	(0.1)
Fair value losses on derivative instrument at fair value through profit or loss	–	(4.9)
	<u>(4.3)</u>	<u>(7.1)</u>
Earnings before interest and tax	45.1	44.6
Interest expenses	(7.6)	(4.6)
Profit before tax	37.5	40.0
Tax	(0.8)	(3.8)
Profit for the period	<u>36.7</u>	<u>36.2</u>

BUSINESS REVIEW

For the period ended 30 September 2010, the turnover of the Group from the continuing operations amounted to HK\$1,173,100,000 and the profit of the Group recorded HK\$36,700,000 in the corresponding period in 2010.

In the previous year, the Group has established two joint ventures to maximize the profit by spinning-off and merging its businesses so as to increase synergetic effect in the market. In order to achieve the accounting policy standard, the sales revenue in these joint ventures were not consolidated in the financial statements after spin-off, which resulted in a slightly decrease in turnover, compared with the same period in the former year. Nevertheless, the Group's operating income recorded an increase after deducting the fair value gains and losses on investments and financial instruments.

The increase of operating income was mainly attributed by improving business environment in 2010, where the Group has found the opportunities in strong market demand in the PRC to seek new business horizon, and managed to controlling costs. Driven by new customers, the Group's traditional **semiconductor** distribution business was recorded satisfying sales growth of up to 24% while its **consumer electronics** business turned the corner during the review period. The Group also generated considerable earnings by accurately capturing market needs for **electronics and related products** and timely entering into markets with good profit margins and potential growth, such as distribution of Samsung Electronics LED's display backlight modules and the business of 3D TV shutter glasses. With the Group's discerning insight and its strong sale network which delivered handsome returns to shareholders by capturing huge, fast-growing demand gained from the LED TV and 3D TV markets.

During the period, the Group and its seven subsidiaries were awarded **ISO 9001:2008** certification - an international recognition of the Group's business and operating policy in quality management.

Electronic Component Distribution Business

The Group's electronic component distribution business mainly includes semiconductors distribution, Samsung Electronics LED distribution, lithium-ion battery distribution and vertical high brightness LED chip distribution business.

Leveraging its long-term relationships with the leading global electronic components manufacturers, including Samsung Electronics and Fairchild, the Group successfully identified new clientele through proactive industrial reorganization during the review period, leading to the further expansion of our market share in the semiconductor distribution market was further expanded. Despite the equivalent cost of HK\$4,000,000 for developing lithium-ion battery distribution business, the Group's electronic component distribution still recorded an EBITDA of \$29,900,000 due to the satisfactory growth of semiconductor and Samsung Electronics LED distribution business.

The memory distribution business of United Benefits Limited, an associate established last year to expand the Group's memory distribution business, recorded a profit of HK\$2,900,000.

Samsung Electronics LED distribution business is another primary source of income of the Group. The Group established FLEX Technology Limited through joint venture in 2009 and the Company is principally engaged in the distribution of LED for display backlight modules and currently is the first and exclusive distributor of components to supply TV screens and computer components to Samsung Electronics in the Greater China region. With continuing increase the benefit in market demand for LED TV and notebook, the joint venture developed rapidly and received an increasing amount of orders during the review period. Together with the satisfactory selling prices, the business generated profit of HK\$10,100,000 to the Group.

Early in 2009, the Group had already captured a prime opportunity to establish a global business partnership with Boston-Power®, Inc. and focused on the business of **environmental friendly lithium-ion battery** distribution in the PRC and Korean markets. Since the business is in the initial stage of development, the Group spent HKD\$4,000,000 for its business development during the period. However, as green energy is gradually becomes more popular, the global demand for lithium-ion batteries are expected to grow continually. In consideration of market share in the lithium-ion battery market, the PRC and Korea are among the top three countries, the Group is confident that the lithium-ion battery distribution business will generate substantial income in the near future.

Since its acquisition of equity interest in Wavesquare Inc. (“Wavesquare”) in 2007, Wavesquare has successfully invented vertical high brightness LED chips at a lower cost and it became one of the few manufacturers supplying vertical high brightness blue LED chips in the world. Comparing to traditional horizontal LED chips, vertical high brightness LED chips are brighter and are far from adequacy. Vertical high brightness LED chips are pollutant-free, a feature in compliance with the requirements of environmental science. As green technologies become more dominant in the world of energy and demands for high brightness LEDs heighten, Wavesquare’s knowledge and know-how will reach its full potential of supplying one of the best vertical high brightness LED chips in the industry. Due to this, Wavesquare won the Minister of Knowledge and Economy Award of the first National Green Tech Awards given by the Korean Government earlier this year. The Group is confident in the prospect of the vertical high brightness LED business and has further increased its holding stake in Wavesquare to 26.9%.

Electronics and Related Product Business

Leveraging on a reasonable positioning, the Group’s consumer electronics business has managed to return to profitability and recorded an EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of HK\$13,700,000 during the review period (2009: negative EBITA HK\$2,200,000). **iphone accessories and headsets** were the best-selling items among other consumer electronics as consumers have taken to have increasing expectations on the peripherals of electronic products in recent years. Therefore, the Group will pay attention to the market demand so as to develop the potential business in consumer electronics.

The Group has increased its shareholdings in Accupix Co., Ltd. (“Accupix”) to 22.7%. In addition to the supply agreement entered into between Accupix and LG-Electronics, Accupix, being a pioneer in **3D shutter glasses** technology, also provided relevant technologies to Samsung Electronics and two renowned Japanese brands. The Group holds a bullish view on the business outlook and believes that the business of 3D glasses has immense potential and will contribute a stable and recurring income to the Group. Furthermore, Accupix entered into an agreement with Tellord Co., Ltd. (“Tellord”), a listed company in Korea, and shall become the controlling shareholder of Tellord upon approvals at their respective general meeting. Based on the appraisal of the valuer, the current appraised value of Accupix is approximately US\$147,000,000. During the review period, the production volume of Accupix continued to increase and contributed HK\$12,700,000 profit to the Group.

PROSPECTS

As the global economy regained its footing, we anticipate another round of steady growth in the retail business of electronics and related products. With incisive market acumen, state-of-the-art research and development technology as well as an impeccable distribution network, the Group believes that we are consolidate and strengthen our leading presence in the electronics and related product market in the next interim financial period.

Vertical high brightness LED commenced production in September. Following the active promotion of environmental protection strategies by the PRC government and the blistering growth of energy conservation industries, high brightness LED wafer will promise long-term development prospect as it can provide superior illumination and consume less energy than traditional lighting. We expect LED wafer business to have an impressive growth and achieve economies of scale in the second half of the financial year and hence contributing to the Group.

In addition, as major Japanese and Korean TV makers launched 3D TVs in 2010, the demand for **3D TV glasses** will be ever-increasing. It is expected that the Group will continue generating considerable revenue from 3D TV glasses business.

Looking forward, the Group will focus on expanding its distribution products portfolio, responding to market demand, and reinforcing its partnerships by expertise and knowledge. Our vision of creating a more advantageous position for our businesses remains unchanged, as we are steadfast in providing higher returns for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 30 September 2010 and 31 March 2010 and the corresponding gearing ratio are shown as follows:

	30/9/2010 <i>HK\$'million</i>	31/3/2010 <i>HK\$'million</i>
Bank debts	488.4	369.1
Cash and cash equivalents	88.1	151.8
Equity investments at fair value through profit or loss	82.2	104.8
Cash and cash equivalents and Equity Investments	170.3	256.6
Net debt	318.1	112.5
Total equity	457.3	381.1
Net debt to total equity	70%	30%

As at 30 September 2010, the Group had a balance of cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$88.1 million (31 March 2010: HK\$151.8 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$82.2 million (31 March 2010: HK\$104.8 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 2010 was 70% (31 March 2010: 30%), while the Group's total equity was HK\$457.3 million (31 March 2010: HK\$381.1 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 2010, the liquidity ratio (as determined with reference to the ratio of current assets to current liabilities) was 109% (31 March 2010: 129%).

	30/9/2010 <i>HK\$'million</i>	31/3/2010 <i>HK\$'million</i>
Current assets	726.4	621.3
Current liabilities	(668.2)	(482.5)
Net current assets	58.2	138.8
Current assets to current liabilities (%)	109%	129%

INTERIM DIVIDEND

The Board is pleased to recommend the payment of an interim dividend of HK3 cents (2009: HK3 cents) per ordinary share in issue for the six months ended 30 September 2010 to be payable on or around Friday, 17 December 2010 to the shareholders whose names appear on the registers of members of the Company at the close of business on Tuesday, 7 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 3 December 2010 to Tuesday, 7 December 2010 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 Thursday, 2 December 2010.

EMPLOYEES

As at 30 September 2010, the Group employed a total of approximately 205 (31 March 2010: approximately 183) 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 2010, 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	–	265,868,189 <i>(Note 1)</i>	265,868,189	50.80%
So Chi On	Beneficial owner	4,500,000 <i>(Note 2)</i>	–	4,500,000	0.86%

Note:

1. This refers to the total number of shares held by B.K.S. Company Limited ("BKS") and Jade Concept Limited ("Jade Concept") respectively. Dr. So Yuk Kwan is deemed to be interested in 265,868,189 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.
2. This refer shares include (i) 3,500,000 share options and (ii) 1,000,000 shares held by Mr. So Chi On.

(b) Rights to acquire shares of the Company

Pursuant to the share option scheme adopted by the Company, a director was granted share options to subscribe for shares of the Company, details of which as at 30 September 2010 were as follows:

	Number of share options					Outstanding as at 30 September 2010	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				
So Chi On	3,500,000	-	-	-	-	3,500,000	19/7/2007- 12/5/2012	18/7/2007	HK\$0.5
Total	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500,000</u>			

Save as disclosed above, during the six months ended 30 September 2010, 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 2010, 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 2010, options to subscribe for an aggregate of 12,820,000 shares of the Company which were granted to a director and non-employees of the Group were outstanding. Details of which were as follows:

	Number of share options					Outstanding as at 30 September 2010	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	As at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Director	3,500,000	-	-	-	-	3,500,000 <i>(Note 1)</i>	19/7/2007- 12/5/2012	18/7/2007	HK\$0.5
Non-employees In aggregate	4,660,000	-	-	-	-	4,660,000	9/3/2010- 8/3/2012	9/3/2010	HK\$1.01
In aggregate	4,660,000	-	-	-	-	4,660,000	9/3/2011- 8/3/2012	9/3/2010	HK\$1.01
Total	12,820,000	-	-	-	-	12,820,000			

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 2010, 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:

Long position in the shares of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate percentage of long positions as at 30 September 2010
B.K.S. Company Limited ("BKS")	Beneficial owner	185,228,300 <i>(note 1)</i>	35.39
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 <i>(note 2)</i>	15.41
Yeung Kit Ling ("Madam Yeung")	Interest of spouse	265,868,189 <i>(note 3)</i>	50.80
Choi Koon Shum Jonathan	Beneficial owner	28,920,000	5.52
Festival Developments Limited	Interest of controlled corporations	28,920,000	5.52
Innovation Assets Limited	Interest of controlled corporations	28,920,000	5.52
Kingsway International Holdings Limited	Interest of controlled corporations	28,920,000	5.52
Kingsway Lion Spur Technology Limited	Beneficial owner	28,920,000	5.52

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate percentage of long positions as at 30 September 2010
Kwan Wing Kum, Janice	Interest of spouse	28,920,000	5.52
Lam Wong Yuk Sin Mary	Interest of controlled corporations	28,920,000	5.52
SW Kingsway Capital Holdings Limited	Interest of controlled corporations	28,920,000	5.52
World Developments Limited	Interest of controlled corporations	28,920,000	5.52
Och Daniel Saul	Interest of controlled corporations	28,500,000	5.45
Och-Ziff Capital Management Group LLC	Interest of controlled corporations	28,500,000	5.45
OZ Management L.P.	Investment manager	28,500,000	5.45

Notes:

1. These shares are held by BKS, a company wholly owned by Dr. So Yuk Kwan ("Dr. So"). By virtue of the SFO, Dr. So is deemed to be interested in 185,228,300 shares of the Company held by BKS.
2. Jade Concept is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 80,639,889 shares of the Company held by Jade Concept.
3. Ms. Madam Yeung, is the spouse of Dr. So, is deemed to be interested in all shares of the Company in which Dr. So is interested in.

Save as disclosed above, as at 30 September 2010, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

During the six months ended 30 September 2010, 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 2010.

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 2010.

REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The Group's unaudited condensed consolidated results for the six months ended 30 September 2010 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 2010

As at the date of this report, 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.