AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Profit & Loss Highlights	**Six Months Ended**	
	30/9/2008	30/9/2007
	HK$'million	*HK$'million*
Revenue	**1,145.0**	1,640.4
(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)
	(17.7)	42.5
Depreciation, amortisation and non-cash items	**(2.5)**	(7.2)
(Loss)/profit for the period	**(27.5)**	16.8
Interim dividend	**–**	8.6

Balance Sheet Highlights	**30/9/2008**	31/3/2008
	HK$'million	*HK$'million*
Total assets	**929.6**	971.8
Total assets less current liabilities	**325.6**	360.1
Total equity	**319.1**	352.1
Bank debts	**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
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
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
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

	Notes	**30 September 2008 (Unaudited)** *HK$'000*	31 March 2008 (Audited) *HK$'000*
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
Total non-current assets		**157,425**	142,735
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
Total current assets		**772,173**	829,046
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
Total current liabilities		**603,972**	611,695
NET CURRENT ASSETS		**168,201**	217,351

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
Total non-current liabilities	**6,520**	8,010
Net assets	**319,106**	352,076
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
Total equity	**319,106**	352,076

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 Six months ended 30 September		**Segment results Six months ended 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)
	1,144,965	1,640,397	**10,838**	20,430
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			**(27,461)**	16,837

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

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	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
	1,144,965	1,640,397

4. OTHER INCOME AND (LOSS)/GAINS

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	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
	(22,814)	30,250

5. FINANCE COSTS

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

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
	(Unaudited)	(Unaudited)
	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)

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
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for tax for the period	**1,528**	5,829

8. INTERIM DIVIDEND

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Proposed interim – Nil (2007: HK2 cents per ordinary share)	**–**	8,632

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
	(Unaudited)	(Unaudited)
	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	**(27,461)**	16,837
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	**–**	1,099
Total	**414,994**	416,108

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	**–**	–
	18,262	18,262

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
	207,214	252,001

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.

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)	31 March 2008 (Audited)
	HK$'000	*HK$'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
	281,178	255,197

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2008 (Unaudited)	31 March 2008 (Audited)
	HK$'000	*HK$'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
	140,398	174,370

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**	–
	156,773	112,287
Accrued expenses	**31,462**	31,626
	188,235	143,913

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	30/9/2007
	HK$'million	*HK$'million*
Revenue		
Marketing and distribution	**1,109.5**	1,617.4
Design and manufacture	**35.5**	23.0
	1,145.0	1,640.4
(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)
	(17.7)	42.5
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)
	(2.5)	(7.2)
(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	**(27.5)**	16.8

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	31/3/2008
	HK$'million	*HK$'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	31/3/2008
	HK$'million	*HK$'million*
Current assets	**772.2**	829.0
Current liabilities	**(604.0)**	(611.7)
Net current assets	**168.2**	217.3
Current assets to Current liabilities *(%)*	**128%**	136%

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.

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 announcement, 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.