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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 2011

Income Statement Highlights

	Six Months Ended	
	30/9/2011	30/9/2010
	HK\$'million	HK\$'million
Revenue	<u>1,869.8</u>	<u>1,173.1</u>
Earnings before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(26.7)	5.8
– Semiconductor distribution	37.2	24.0
– Consumer electronic product	11.3	13.7
– LED	(2.5)	5.9
	<u>19.3</u>	<u>49.4</u>
Depreciation, amortisation and non-cash items	<u>(6.0)</u>	<u>(4.3)</u>
Profit for the period attributable to:		
Owners of the Company	2.8	37.0
Non-controlling interests	2.1	(0.3)
	<u>4.9</u>	<u>36.7</u>
Interim dividend	<u>6.1</u>	<u>15.7</u>

Statement of Financial Position Highlights

	30/9/2011	31/3/2011
	HK\$'million	HK\$'million
Total assets	1,650.3	1,387.2
Total assets less current liabilities	687.7	684.8
Total equity	648.4	679.3
Bank debts	<u>673.0</u>	<u>507.3</u>
Cash and cash equivalents	130.9	287.4
Equity investments at fair value through profit or loss	<u>92.3</u>	<u>223.3</u>
Cash and cash equivalents and equity investments	<u>223.2</u>	<u>510.7</u>
Net debt	<u>449.8</u>	<u>–</u>
Net debt to total equity (%)	69%	–
Current assets to current liabilities (%)	119%	148%
Cash and cash equivalents and equity investments per share (HK\$)	0.37	0.82
Total equity per share (HK\$)	1.06	1.09

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 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	1,869,790	1,173,076
Cost of sales		<u>(1,735,230)</u>	<u>(1,106,239)</u>
Gross profit		134,560	66,837
Other income and gains	4	35,671	14,100
Selling and distribution costs		(54,443)	(17,976)
Administrative expenses		(73,906)	(44,862)
Fair value (losses)/gains on equity investments			
at fair value through profit or loss, net		(55,348)	6,305
Fair value losses on derivative instrument			
at fair value through profit or loss		–	(7,178)
Revaluation of a pre-existing interest in an			
acquired subsidiary to fair value		–	5,613
Gain on disposal of subsidiaries		28,274	–
Other expenses		(101)	(1,093)
Share of profits and losses of:			
a jointly-controlled entity		180	10,072
associates		<u>(1,535)</u>	<u>13,307</u>
PROFIT FROM OPERATING ACTIVITIES		13,352	45,125
Finance costs	5	<u>(11,388)</u>	<u>(7,562)</u>
PROFIT BEFORE TAX	6	1,964	37,563
Income tax	7	<u>3,019</u>	<u>(814)</u>
PROFIT FOR THE PERIOD		<u>4,983</u>	<u>36,749</u>
Attributable to:			
Owners of the Company		2,859	37,063
Non-controlling interests		<u>2,124</u>	<u>(314)</u>
		<u>4,983</u>	<u>36,749</u>
EARNINGS PER SHARE ATTRIBUTABLE	9		
 TO ORDINARY EQUITY HOLDERS			
 OF THE COMPANY			
Basic		<u>0.4 cents</u>	<u>7.3 cents</u>
Diluted		<u>0.4 cents</u>	<u>7.3 cents</u>

Details of the dividend payable and proposed for the period are disclosed in note 8 to Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended	
30 September	
2011	2010
(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

PROFIT FOR THE PERIOD	4,983	36,749
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OTHER COMPREHENSIVE INCOME

Exchange differences on translation of foreign operations
and other comprehensive income for the period,
net of tax

<u>(536)</u>	<u>(55)</u>
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

<u>4,447</u>	<u>36,694</u>
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Attributable to:

Owners of the Company	2,323	37,008
Non-controlling interests	<u>2,124</u>	<u>(314)</u>

<u>4,447</u>	<u>36,694</u>
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		121,905	67,724
Investment property		29,689	24,701
Goodwill	12	59,100	37,729
Other intangible assets	10	24,124	26,592
Investment in a jointly-controlled entity		2,243	14,458
Investments in associates		253,924	173,679
Available-for-sale investments	11	10,623	1,750
Deferred tax assets		2,796	2,796
Total non-current assets		504,404	349,429
CURRENT ASSETS			
Inventories	13	366,756	257,881
Trade and bills receivables	14	461,049	237,876
Prepayments, deposits and other receivables		94,854	31,313
Equity investments at fair value through profit or loss	15	92,288	223,339
Time deposits		–	62,204
Cash and bank balances		130,934	225,160
Total current assets		1,145,881	1,037,773
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	16	322,119	192,125
Interest-bearing bank borrowings		637,949	505,268
Finance lease payables		635	423
Tax payable		648	3,250
Financial guarantee obligation		1,262	1,262
Total current liabilities		962,613	702,328
NET CURRENT ASSETS		183,268	335,445

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	687,672	684,874
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	33,273	—
Finance lease payables	1,142	1,565
Retirement benefit liabilities	1,262	—
Deferred tax liabilities	3,585	4,042
Total non-current liabilities	39,262	5,607
Net assets	648,410	679,267
EQUITY		
Issued capital	60,884	62,056
Reserves	580,551	593,626
Proposed dividends	6,088	24,822
Equity attributable to owners of the Company	647,523	680,504
Non-controlling interests	887	(1,237)
Total equity	648,410	679,267

Noted To The Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time for the current period’s unaudited condensed consolidated interim financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The adoption of the new/revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognized.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- the semiconductor distribution segment engages in the sale and distribution of electronic components;
- the consumer electronic product segment engages in the design, development and sale of electronic products; and
- the others segment mainly comprises the Group's trading of Light-emitting Diode ("LED") business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Intersegment sales and transfers are transacted at costs.

3. OPERATING SEGMENT INFORMATION (CON'T)

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

For the six-month period ended 30 September 2011

	Semiconductor distribution HK\$'000	Consumer electronic product HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	1,709,647	137,566	22,577	1,869,790
Intersegment sales	<u>204,335</u>	<u>72,011</u>	<u>139</u>	<u>276,485</u>
	1,913,982	209,577	22,716	2,146,275
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(276,485)</u>
Revenue				<u><u>1,869,790</u></u>
Segment results	20,804	10,365	(4,204)	26,965
<i>Reconciliation:</i>				
Bank interest income				2,030
Interest income from debt securities				763
Dividend income from listed investments				238
Management fee income from associates				8,557
Rental income				221
Gain on disposal of items of property, plant and equipment				15,785
Gain on disposal of subsidiaries				28,274
Share of profit of a jointly-controlled entity				180
Share of profits and losses of associates				(1,535)
Fair value loss on equity investments at fair value through profit or loss, net				(55,348)
Unallocated expenses				(12,778)
Finance costs				<u>(11,388)</u>
Profit before tax				<u><u>1,964</u></u>

3. OPERATING SEGMENT INFORMATION (CON'T)

For the six-month period ended 30 September 2010

	Semiconductor distribution <i>HK\$'000</i>	Consumer electronic product <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	1,116,340	56,007	729	1,173,076
Intersegment sales	<u>41,242</u>	<u>43,978</u>	<u>–</u>	<u>85,220</u>
	1,157,582	99,985	729	1,258,296
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(85,220)</u>
Revenue				<u><u>1,173,076</u></u>
Segment results	24,279	1,770	(4,381)	21,668
<i>Reconciliation:</i>				
Bank interest income				243
Interest income from debt securities				391
Interest income from a convertible note receivable				1,669
Dividend income from listed investments				370
Management fee income from associates				3,287
Rental income				589
Gain on disposal of items of property, plant and equipment				16
Share of profit of a jointly-controlled entity				10,072
Share of profits of associates				13,307
Fair value gains on equity investments at fair value through profit or loss, net				6,305
Fair value loss on a derivative instrument at fair value through profit or loss				(7,178)
Revaluation of a pre-existing interest in an acquired subsidiary to fair value				5,613
Unallocated expenses				(11,227)
Finance costs				<u>(7,562)</u>
Profit before tax				<u><u>37,563</u></u>

3. OPERATING SEGMENT INFORMATION (CON'T)

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

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Geographical segment:		
Hong Kong	902,507	624,213
Singapore	737,266	500,559
United States	93,167	–
Korea	124,796	37,710
Other locations	12,054	10,594
	1,869,790	1,173,076

4. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	2,030	243
Dividend income from listed investments	238	370
Interest income from debt securities	763	391
Rental income	221	589
Management fee income from associates	8,557	3,287
Gain on disposal of items of property, plant and equipment	15,785	16
Interest income from a convertible note receivable	–	1,669
Others	8,077	7,535
	35,671	14,100

5. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and mortgage loans	11,360	7,546
Interest on finance leases	28	16
	<u>11,388</u>	<u>7,562</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,178	2,388
Amortisation of intangible assets	2,827	1,906
(Gain)/loss on disposal of items of property, plant and equipment	(15,785)	16
Equity-settled share option expense	497	–
Exchange gain, net	<u>(3,165)</u>	<u>(1,773)</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2011. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Overprovision)/charge for the period	(2,561)	1,052
Deferred	<u>(458)</u>	<u>(238)</u>
Total tax charge/(credit) for the period	<u>(3,019)</u>	<u>814</u>

8. INTERIM DIVIDEND

	Six months ended 30 September 2011 (Unaudited) HK\$'000		2010 (Unaudited) HK\$'000
Proposed interim – HK 1 cent (2010: HK 3 cents) per ordinary share	<u>6,088</u>	<u>15,701</u>	

The Board of Directors has resolved to declare an interim dividend of HK 1 cent in issue in respect of the six months ended 30 September 2011 (2010: HK 3 cents) per ordinary share payable on or around 20 December 2011 to shareholders whose names appear on the register of members of the Company on 8 December 2011.

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 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 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 2011 (Unaudited) HK\$'000		2010 (Unaudited) HK\$'000
Earnings:			
Profit attributable to ordinary equity holders of the Company, used in basic and diluted earnings per share calculation	<u>2,859</u>	<u>37,063</u>	
	Number of Shares 2011 30 September		2010 30 September
Shares:			
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	618,487,683	506,135,144	
Effect of dilution-weighted average number of ordinary shares:			
Share options	<u>3,669,836</u>	<u>3,817,419</u>	
Total	<u>622,157,519</u>	<u>509,952,563</u>	

10. OTHER INTANGIBLE ASSETS

	Club memberships HK\$'000	Trademarks HK\$'000	Customer relationship HK\$'000	Total HK\$'000
At 1 April 2011:				
Cost	4,499	59	27,710	32,268
Accumulated amortisation and impairment	<u>(990)</u>	<u>(29)</u>	<u>(4,657)</u>	<u>(5,676)</u>
Net carrying amount	<u>3,509</u>	<u>30</u>	<u>23,053</u>	<u>26,592</u>
Cost at 1 April 2011, net of accumulated amortisation and impairment	3,509	30	23,053	26,592
Additions	–	359	–	359
Amortisation provided during the period	<u>(19)</u>	<u>(37)</u>	<u>(2,771)</u>	<u>(2,827)</u>
At 30 September 2011	<u>3,490</u>	<u>352</u>	<u>20,282</u>	<u>24,124</u>
At 30 September 2011:				
Cost	4,499	418	27,710	32,627
Accumulated amortisation and impairment	<u>(1,009)</u>	<u>(66)</u>	<u>(7,428)</u>	<u>(8,503)</u>
Net carrying amount	<u>3,490</u>	<u>352</u>	<u>20,282</u>	<u>24,124</u>
At 1 April 2010:				
Cost	2,431	59	–	2,490
Accumulated amortisation and impairment	<u>(900)</u>	<u>(23)</u>	<u>–</u>	<u>(923)</u>
Net carrying amount	<u>1,531</u>	<u>36</u>	<u>–</u>	<u>1,567</u>
Cost at 1 April 2010, net of accumulated amortisation and impairment	1,531	36	–	1,567
Acquisition of subsidiaries	–	–	27,710	27,710
Additions	1,950	–	–	1,950
Amortisation provided during the year	<u>(37)</u>	<u>(6)</u>	<u>(4,657)</u>	<u>(4,700)</u>
Exchange realignment	<u>65</u>	<u>–</u>	<u>–</u>	<u>65</u>
At 31 March 2011	<u>3,509</u>	<u>30</u>	<u>23,053</u>	<u>26,592</u>
At 31 March 2011:				
Cost	4,499	59	27,710	32,268
Accumulated amortisation and impairment	<u>(990)</u>	<u>(29)</u>	<u>(4,657)</u>	<u>(5,676)</u>
Net carrying amount	<u>3,509</u>	<u>30</u>	<u>23,053</u>	<u>26,592</u>

10. OTHER INTANGIBLE ASSETS (CON'T)

Club memberships

The Group's 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 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Unlisted equity investments, at cost	14,650	5,777
Provision for impairment	(4,027)	(4,027)
	<u>10,623</u>	<u>1,750</u>

The balance as at 30 September 2011 and 31 March 2011 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 2011, 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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Carrying amount at beginning of period/year	37,729	–
Acquisition of subsidiaries	21,371	37,729
	<u>59,100</u>	<u>37,729</u>

For the purpose of impairment testing, goodwill have been allocated to the CGUs of semiconductor 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. 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.

Management considered no impairment on goodwill was noted and 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 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Finished goods	<u>366,756</u>	<u>257,881</u>

14. TRADE AND BILLS RECEIVABLES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Trade receivable	463,372	239,160
Impairment	<u>(2,323)</u>	<u>(1,284)</u>
	<u>461,049</u>	<u>237,876</u>

The Group's 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 2011, based on invoice due date and net of provisions, is as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Current	327,118	195,986
1 – 30 days	101,329	33,436
31 – 60 days	22,727	7,031
Over 60 days	<u>12,198</u>	<u>2,707</u>
	<u>463,372</u>	<u>239,160</u>

15. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Managed funds, outside Hong Kong, at market value	48,937	45,397
Listed equity investments, at market value		
Hong Kong	25,502	7,131
Elsewhere	3,305	146,237
Listed debt investments, Hong Kong, at market value	14,544	24,574
	<u>92,288</u>	<u>223,339</u>

All the above investments as at 30 September 2011 were classified as held for trading.

16. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

An aged analysis of the trade payables, deposits received and accrued expenses as at 30 September 2011, based on invoice due date, is as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Current	143,293	133,632
1 – 30 days	70,435	27,801
31 – 60 days	1,026	459
Over 60 days	6,029	1,193
	<u>220,783</u>	<u>163,085</u>
Deposits received	7,600	8,143
Accrued expenses	93,736	20,897
	<u>322,119</u>	<u>192,125</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 2011, the Company had 21,140,000 share options (2010: 12,820,000 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 21,140,000 additional ordinary shares of the Company and additional share capital of HK\$2,114,000 and share premium of HK\$20,447,600 (before issue expenses). At the date of approval of these condensed consolidated interim financial statements, the Company had 21,140,000 share options outstanding under the Scheme, which represented approximately 3.4% of the Company’s shares in issue as at that date.

During the six months ended 30 September 2011, equity-settled share-based payment expenses were amounted to HK\$496,000 (2010: Nil).

18. ACQUISITION OF SUBSIDIARIES

On 31 May 2011, the Group acquired all equity interest in Bestore Limited (“Bestore”) at a cash consideration of HK\$811,000. The principal activity of Bestore is investment holding.

On 3 June 2011, the Group acquired an additional 50% equity interest in a former associate, Signeo Venture Partners Limited (“SVP”) (formerly known as Darwin Investment Strategies Limited), at a cash consideration of HK\$1, and SVP has become a wholly-owned subsidiary of the Group. The principal activity of SVP is investment holding.

On 8 July 2011, the Group acquired all equity interest in People & Semiconductor Co., Ltd (“P&S”) at a cash consideration of KRW6,478,000,000 (equivalent to HKD48,000,000) The principal activity of P&S is trading of electronic components.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
Net assets acquired:	
Property, plant and equipment	5,912
Equity investments at fair value through profit or loss	24,295
Inventories	38,772
Trade and other receivables	39,311
Cash and bank balances	5,640
Trade and other payables	(60,808)
Amount due to fellow subsidiaries	(1,392)
Interest-bearing bank borrowings	(24,328)
Retirement benefit liabilities	(1,124)
Total identifiable net assets at fair value	26,278
Goodwill on acquisition	21,371
	47,649
Satisfied by cash	47,649

The fair values of trade and other receivables as at the date of acquisition amounted to HK\$39,311,000. The gross contractual amount of trade and other receivables was HK\$39,311,000, of which none of the above balances are expected to be uncollected.

18. ACQUISITION OF SUBSIDIARIES (CON'T)

HK\$'000

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

Cash consideration	(47,649)
Cash and bank balances acquired	<u>5,640</u>

Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(42,009)</u></u>
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Since its acquisition, the acquired subsidiaries contributed HK\$54,229,000 to the Group's turnover and HK\$2,325,000 to the consolidated profit for the period ended 30 September 2011.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$111,515,000 and HK\$4,956,000 respectively.

The Group incurred transaction costs of HK\$1,100,000 for these acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

19. DISPOSAL OF SUBSIDIARIES

Pursuant to the approval of the share transfer agreement dated on 31 May 2011, the Group disposed of 100% equity interest of Dragon Favour Technology Limited ("Dragon Favour"). As a result of the disposal, the Group does not hold any equity interest in Dragon Favour and its associates ('Disposal Group').

The disposal had the following effect on the Group's assets and liabilities;

HK\$'000

Net assets disposed of:

Investment in associates	35,116
Cash and cash equivalents	<u>46</u>

35,162

Gain on disposal	<u>28,274</u>
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Consideration receivable for disposal of subsidiaries	<u><u>63,436</u></u>
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Satisfied by:

Cash	<u><u>63,436</u></u>
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Net cash inflow from disposal:	63,436
Cash consideration	<u>(46)</u>

Cash and cash equivalents disposed	<u><u>63,390</u></u>
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For the period from 1 April 2011 to the date of disposal, the disposal Group was engaged in investment holding.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2011, with the comparative figures for the corresponding six months period of 2010.

	Six Months Ended	
	30/9/2011	30/9/2010
	<i>HK\$'million</i>	<i>HK\$'million</i>
Revenue		
Semiconductor distribution	1,709.6	1,116.4
Consumer electronic product	137.6	56.0
LED	22.6	0.7
	<u>1,869.8</u>	<u>1,173.1</u>
Earnings before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(26.7)	5.8
Semiconductor distribution	37.2	24.0
Consumer electronic product	11.3	13.7
LED	(2.5)	5.9
	<u>19.3</u>	<u>49.4</u>
Depreciation, amortisation and non-cash items		
Corporate	(0.9)	(0.6)
Semiconductor distribution	(3.5)	(2.2)
Consumer electronic product	(1.6)	(1.5)
	<u>(6.0)</u>	<u>(4.3)</u>
Earnings before interest and tax	13.3	45.1
Interest expenses	<u>(11.4)</u>	<u>(7.6)</u>
Profit before tax	1.9	37.5
Tax	<u>3.0</u>	<u>(0.8)</u>
Profit for the period	<u>4.9</u>	<u>36.7</u>

BUSINESS REVIEW

The first half of FY2011/12 has been a challenging time for the industry. The financial uncertainties hovering over the US and Europe have weakened consumer demand in those regions, while the earthquake and tsunami in Japan have also temporarily disrupted the supply of electronics components in Asia-Pacific. Despite such concerns, AV Concept has been able to achieve satisfactory results in its three core businesses (consumer electronic products, semiconductor distribution and LED businesses), in addition to the successful global launch of the Group's own brand – SOUL by Ludacris®. For the six months ended 30 September 2011, the Group's revenue increased by 59.4% to HK\$1,869.8 million, up from HK\$1,173.1 million compared to the corresponding period last year. The significant increase was attributable to the new business lines and overall improvement in sales from the core businesses.

Gross profit surged by 101.3% to HK\$134.6 million for the period under review (FY2010/11 Interim: HK\$66.8 million), representing a higher gross profit margin of 7.2% (FY2010/11 Interim: 5.7%). Thanks to the Group's strategies in owning its brands and moving towards upstream business, it has successfully achieved a higher gross profit margin due to the new sales at higher margin. During the period under review, the Group recorded a slight increase in EBITDA (earnings before interest, tax, depreciation, amortisation and non-cash items) from its three core businesses to HK\$46.0 million (FY2010/11 Interim: HK\$43.6 million). The flat increase was partly due to the lack of contribution generated from business of LED distribution for display backlight modules, FLEX Technology Limited ("FLEX"), because the Group decided to segregate in order to focus more on the businesses with greater potential and return. A loss of HK\$26.7 million in the Group's Corporate EBITDA was mainly due to the fair value loss of the Group's equity shareholdings on Accupix Co. Ltd (056730:KQ, "Accupix") which has been listed on KOSDAQ since December 2010. As a result, the overall Group's EBITDA dropped to HK\$19.3 million and net profit was HK\$5.0 million (FY2010/11 Interim: HK\$36.7 million) during the review period.

Consumer Electronic Product Business

Turnover of the consumer electronic product business rose by 145.7% to HK\$137.6 million (FY2010/11 Interim: HK\$56.0 million), mainly derived from the new sales of its successful brand SOUL by Ludacris®. Collaborating with the Grammy-winning and globally renowned artist, Chris "Ludacris" Bridges, this new line is well recognised in the market for the superior sound quality of a professional headphone and its stylish design since its worldwide launch in early 2011. Moreover, the Group strategically introduced the product line through partnerships within major target markets in Asia, including Mainland China and South Korea, to further expand its footprint. SOUL by Ludacris® is expected to be launched in other key countries within Asia and North America in 2011 with channels to be extended to the European market in 2012. The Group is confident that this product line will become a key revenue driver in the foreseeable future.

Advanced new portable gadgets such as smart phones and tablet computers are getting more popular which continue to drive demand for associated peripheral electronic products, for example, high-end Bluetooth headsets and related accessories. The Group continues to enhance the features of its consumer electronic products as well as redouble its sales effort to capture the business opportunities that arise in the market.

Semiconductor Distribution Business

For the six months ended 30 September 2011, the semiconductor distribution business continued as one of the major income streams of the Group. This segment achieved a noteworthy organic growth in turnover of 53.14% to HK\$1,709.6 million.

During the review period, the Group continuously sought to broaden its distribution network, diversify its product mix and expand its customer base. In July 2011, the Group has fully acquired the entire issued shares of People & Semiconductor Co., Ltd. (“P&S”), a Korean company principally engaged in the distribution business of semiconductor products of Fairchild Semiconductor International Inc. (“Fairchild Semiconductor”) in Korea, at a total consideration of approximately HK\$48,000,000. Over the years, the Group’s semiconductor distribution business has already established a solid foundation. Leveraging the extensive distribution network of P&S, the Group has been able to further expand and strengthen its position in the East Asian market. In consideration of raising the power conversion efficiency and saving energy, AV Concept is fully committed to develop this business segment by delivering more new green products, translating into a greater contribution towards the Group’s overall performance.

LED Business

Wavesquare continued to receive encouraging orders, mainly from domestic LED packaging companies in the PRC. Having made solid inroads in the LED business, Wavesquare has been under mass production.

Separately, China's 12th Five Year Plan (12th FYP) for the 2011-2015 period also announced the promotion of the use of LED lighting to replace high energy consuming incandescent lighting by 2016 in response to the market trend of energy saving spurred by increasing concern for environmental protection. This policy is favourable to the Group’s business direction of advancing technology with green and environmentally-friendly electronic components. Coupled with the expanded production capacity and the rising market demand for LEDs, the LED business is expected to an area of high business growth potential.

Wavesquare, together with the LED solutions, registered satisfactory growth with turnover increased 31 times to HK\$22.6 million compared to the corresponding period last year. Along with the Group’s strategy to reallocate its financial resources to other businesses with higher return, it has strategically discontinued its joint venture, FLEX, which is principally engaged in the distribution of LEDs for display backlight modules, in order to reflect the tremendous sales growth achieved in this segment.

PROSPECTS

As the fast-changing electronics industry advances across various fronts, the ability to remain flexible to address changes will be paramount – this is always the aim of AV Concept.

To establish a strong and solid foundation, the Group has made relentless efforts in expanding its sales and distribution network, maintaining close ties with key electronics manufacturers, developing a strong business partnership and diversifying its product portfolio in the past decades. Looking ahead, the Group intends continuing to focus on its three core businesses to bring the Group to new heights in the coming years.

The Group has always been able to identify suitable new products in time to satisfy the changing needs of its customers. The high definition headphones under the SOUL by Ludacris® brand have enjoyed strong market response in the US and Hong Kong as well as new markets in Asia including Mainland China and South Korea after the second roll out in September 2011. This business line will be further extended to the European market in 2012. With the continuous take-up of smart phones among global customers, the demand for related accessories such as high quality headphones is expected to surge accordingly. Given such a favourable market trend, the Group is confident that the consumer electronic products will continue to contribute to the Group's goal of deepening its penetration of the international market in terms of coverage and sales and that this product segment will be the Group's growth driver in the coming years.

With regards to the LED business, supported by efforts from governments around the world, especially Mainland China, in promoting environmental protection and development of industries involved in energy conservation, the Group is optimistic about the business potential of its high brightness LED business driven by the tremendous demand of consumers in the long run. Wavesquare is actively engaging in discussion of strategic partnership to enhance the production capacity and maximise its economies of scale in order to better grasp the anticipated business growth, especially in the general lighting market.

Leveraging the Group's diversified product portfolio, established distribution network and comprehensive clientele profile, the semiconductor distribution business is expected to grow in a steady pace. Witnessing the rising public concern on energy conservation, the Group plans to engage in more green and energy-saving electronic components as a way to protect the environment.

The management maintains a conservative, but positive outlook towards achieving sustained business development and growth in the long run, as its vision of delivering high quality products and creating a more advantageous position for its businesses remains unchanged. Risk control measures are employed on credit limit of customers. Moving forward, the Group is fully determined to enhance its all-round capabilities, developing and delivering new technologies that address the latest trends and strengthen its position in core businesses, ultimately boosting overall competitiveness and profitability. With a clear business direction and a series of operating strategies in place, AV Concept strives to deliver long-term returns to its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 30 September 2011 and 31 March 2011 and the corresponding gearing ratio are shown as follows:

	30/9/2011 <i>HK\$'million</i>	31/3/2011 <i>HK\$'million</i>
Bank debts	<u>673.0</u>	<u>507.3</u>
Cash and cash equivalents	130.9	287.4
Equity investments at fair value through profit or loss	<u>92.3</u>	<u>223.3</u>
Cash and cash equivalents and Equity Investments	<u>223.2</u>	<u>510.7</u>
Net debt	<u>449.8</u>	<u>–</u>
Total equity	<u>648.4</u>	<u>679.3</u>
Net debt to total equity	<u>69%</u>	<u>Nil</u>

As at 30 September 2011, the Group had a balance of cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$130.9 million (31 March 2011: HK\$287.4 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$92.3 million (31 March 2011: HK\$223.3 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 2011 was 69% (31 March 2011: Nil), while the Group's total equity was HK\$648.4 million (31 March 2011: HK\$679.3 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 2011, the liquidity ratio (as determined with reference to the ratio of current assets to current liabilities) was 119% (31 March 2011: 148%).

	30/9/2011 <i>HK\$'million</i>	31/3/2011 <i>HK\$'million</i>
Current assets	1,145.9	1,037.8
Current liabilities	(962.6)	(702.4)
Net current assets	183.3	335.4
Current assets to current liabilities (%)	119%	148%

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 6 December 2011 to Thursday, 8 December 2011, both days inclusive, during which period no transfer of shares will be effected. In order to establish entitlements to the interim dividend, 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, for registration no later than 4:30 p.m. on Monday, 5 December 2011.

INTERIM DIVIDEND

The Board of Directors has resolved to declare the payment of an interim dividend of HK1 cent (2010: HK3 cents) per ordinary share in issue for the six months ended 30 September 2011 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 8 December 2011. The payment of interim dividend will be made on Tuesday, 20 December 2011.

EMPLOYEES

As at 30 September 2011, the Group employed a total of approximately 266 (31 March 2011: approximately 230) 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September, 2011, the Company had repurchased a total of 11,724,000 shares of HK\$0.1 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled by the Company. Particulars of the aforesaid repurchases are as follow:

Date	Number of shares repurchased	Price per share or highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$</i>
3 August 2011	304,000	1.23	1.19	366,200
4 August 2011	452,000	1.25	1.21	553,940
5 August 2011	222,000	1.19	1.15	259,320
8 August 2011	246,000	1.10	1.04	260,980
10 August 2011	378,000	0.99	0.97	371,540
11 August 2011	1,180,000	0.77	0.73	881,880
12 August 2011	784,000	0.85	0.77	639,560
16 August 2011	686,000	0.81	0.80	551,960
17 August 2011	554,000	0.84	0.82	459,120
18 August 2011	1,264,000	0.84	0.80	1,031,400
26 August 2011	790,000	0.77	0.72	583,600
6 September 2011	898,000	0.71	0.66	618,740
7 September 2011	682,000	0.74	0.69	485,480
12 September 2011	442,000	0.71	0.67	304,760
23 September 2011	34,000	0.60	0.60	20,400
26 September 2011	974,000	0.61	0.54	562,260
27 September 2011	1,434,000	0.67	0.62	930,340
28 September 2011	400,000	0.66	0.63	259,500

Save as disclosed above, during the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities.

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 2011.

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 2011.

REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The Group’s unaudited condensed consolidated results for the six months ended 30 September 2011 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, 21 November 2011

As at the date of this announcement, the Board comprises three executive Directors, Dr. Hon. So Yuk Kwan (Chairman), Mr. So Chi On and Mr. Ho Choi Yan Christopher and three independent non-executive Directors, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.