



AV VENTURES CORPORATION BERHAD

(Incorporated in Malaysia)

Company No : 108253-W

QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

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**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008**

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 Sept	3 months ended 30 Sept	9 months ended 30 Sept	9 months ended 30 Sept
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	17,060	9,559	51,947	26,818
Cost of sales	(14,978)	(7,840)	(43,654)	(21,329)
Gross profit	2,082	1,719	8,293	5,489
Other income	207	792	2,664	1,232
Administrative expenses	(2,230)	(1,851)	(7,067)	(5,060)
Other expenses	(117)	(91)	(434)	(257)
(Loss)/Profit from operations	(58)	569	3,456	1,404
Finance cost	(17)	(221)	(226)	(695)
Interest income	60	41	315	59
(Loss)/Profit before taxation	(15)	389	3,545	768
Taxation	(173)	(239)	(431)	(463)
(Loss)/Profit for the period/year	(188)	150	3,114	305
Attributable to:-				
Shareholders of the Company	(338)	55	2,508	154
Minority interests	150	95	606	151
(Loss)/profit for the period/year	(188)	150	3,114	305
Earning per share				
Basic earnings per share (sen)	(0.61)	0.12	4.55	0.34
Diluted earnings per share (sen)	N/A	0.11	N/A	0.34

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)



CONDENSED CONSOLIDATED BALANCE SHEETS

	As At 30 September 2008 Unaudited RM'000	As At 31 December 2007 Audited RM'000
ASSETS		
Property, plant and equipment	12,301	7,067
Development expenditure	2,688	441
Other investment	10	-
Goodwill	245	245
Total non-current assets	15,244	7,753
Inventories	9,345	7,386
Trade & other receivable	17,001	10,849
Current tax assets	120	158
Assets classified as held for sale	-	8,532
Cash and cash equivalents	12,666	6,219
Total current assets	39,132	33,144
TOTAL ASSETS	54,376	40,897
EQUITY		
Share capital	58,360	48,526
Share premium	4,879	2,421
Other reserves	700	700
Accumulated losses	(29,860)	(32,368)
Total equity attributable to shareholders of the Company	34,079	19,279
Minority interest	3,579	3,725
Total equity	37,658	23,004
LIABILITIES		
Borrowing	60	-
Government grant	-	33
Deferred taxation	64	512
Total non-current liabilities	124	545
Trade & other payables	13,198	8,689
Government grant	159	34
Current tax liabilities	41	-
Borrowing	2,710	8,075
Provision	486	550
Total current liabilities	16,594	17,348
Total Liabilities	16,718	17,893
TOTAL EQUITY AND LIABILITIES	54,376	40,897
Net assets per share (sen)	64.53	47.41

(The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008**

	← Attributable to shareholders of the Company →					Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Consolidation Reserves RM'000	Share Option Reserves RM'000	Accumulated Losses RM'000			
At 1 January 2008	48,526	2,421	700	-	(32,368)	19,279	3,725	23,004
Profit for the period	-	-	-	-	2,508	2,508	606	3,114
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	-	(330)	(330)
Issue of shares pursuant to acquisition of subsidiaries	9,834	2,458	-	-	-	12,292	-	12,292
Dividend to shareholders	-	-	-	-	-	-	(422)	(422)
At 30 September 2008	<u>58,360</u>	<u>4,879</u>	<u>700</u>	<u>-</u>	<u>(29,860)</u>	<u>34,079</u>	<u>3,579</u>	<u>37,658</u>
At 1 January 2007	43,084	2,330	700	94	(32,095)	14,113	3,938	18,051
Profit for the period	-	-	-	-	154	154	151	305
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	-	(357)	(357)
Issue of shares:								
- Pursuant to Private Placement	4,308	-	-	-	-	4,308	-	4,308
- Pursuant to ESOS	781	16	-	-	-	797	-	797
Dividend to shareholders	-	-	-	-	-	-	(174)	(174)
At 30 September 2007	<u>48,173</u>	<u>2,346</u>	<u>700</u>	<u>94</u>	<u>(31,941)</u>	<u>19,372</u>	<u>3,558</u>	<u>22,930</u>

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 30 September	
	2008	2007
	Unaudited RM'000	Unaudited RM'000
Operating Activities		
Net Profit Before Taxation	3,545	768
Adjustment for non-cash flow items:		
Depreciation	2,372	1,278
Amortisation of development costs	297	84
Amortisation of government grant	(26)	-
Interest expense	226	695
Interest income	(315)	(59)
Provision for warranties	199	177
Reversal of provision	(314)	(158)
Negative goodwill arising from acquisition of shares in subsidiaries	(167)	(168)
Gain on disposal of property, plant and equipment	(766)	-
Impairment of goodwill	20	-
Others	102	(560)
Operating Profit Before Changes In Working Capital	5,173	2,057
Changes In Working Capital		
Net change in current assets	3,794	(1,736)
Tax refund/(paid)	60	(421)
Net change in current liabilities	(3,802)	1,395
Net Cash Flows Generated From/(Used in) Operating Activities	5,225	1,295
Investing Activities		
Purchase of shares in subsidiaries	(405)	(189)
Purchase of property, plant & equipments	(2,357)	(1,027)
Proceed from sale of property, plant & equipments	9,320	-
Development cost incurred	(2,365)	(20)
Acquisition of subsidiary, net of cash acquired	2,649	-
Interest received	315	59
Net Cash Flows Used In Investing Activities	7,157	(1,177)
Financing Activities		
Proceeds from exercise of employees share option scheme	-	797
Proceeds from issuance of shares	-	4,308
Proceed from Murabahah Capital Financing	5,719	4,363
Repayment of borrowings	(10,836)	(4,765)
Government grant received	117	-
Deposits released as security	13	(15)
Repayment of finance lease and hire purchase creditors	(30)	(5)
Dividend paid to minority shareholders of a subsidiary	(422)	(174)
Interest paid	(226)	(695)
Net Cash Used In Financing Activities	(5,665)	3,814
Net Change in Cash and Cash Equivalents	6,717	3,932
Cash And Cash Equivalents At Beginning of Year	5,445	1,698
Cash And Cash Equivalents At End of Period	12,162	5,630
Cash and cash equivalents at end of the quarter in the condensed consolidated cash flow statement comprise the following balance sheet amounts:		
Deposits with licensed banks	8,551	2,203
Cash and bank balances	4,115	4,252
Bank overdraft	-	(322)
	12,666	6,133
Deposits pledged as security	(504)	(503)
	12,162	5,630

(The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)

PART A – DISCLOSURE NOTES AS REQUIRED UNDER FRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

2. Changes in accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards (FRS) effective for financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Share in Co-operative Entities and Similar Instruments
IC Interpretation 5	Right to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

FRS 139 Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

3. Auditors' Report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Company's statutory financial statements for the year ended 31 December 2007 in their report dated 23 April 2008.

4. Segmental reporting

The financial information by industry segments is not presented as the Group's activities are principally engaged in the manufacturing and supplying of automotive and related components.

The Group operates wholly in Malaysia and accordingly no information on the Group's operations by geographical segment has been provided.

5. Comment about seasonal or cyclical factors

There were no material seasonal or cyclical factors affecting the income and performance of the Group for the financial period ended 30 September 2008.

6. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2008 other than as mentioned above and in notes 8, 11 and 20.

7. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

8. Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 September 2008, except as follow:-

- Ordinary shares issued for acquisition of subsidiaries

During the financial period, the issued and paid-up share capital of the Company was increased from 48,526,400 ordinary shares of RM1.00 each to 58,359,747 ordinary shares of RM1.00 each by the issuance of 9,833,347 new ordinary shares of RM1.00 each at the subscription price of RM1.25 per new share, pursuant to the acquisition of 100% equity interest in Brimal Holdings Sdn Bhd ("BHSB") and Autovisor Plastics Sdn Bhd ("APSB").

9. Dividend paid

There was no dividend paid for the financial period ended 30 September 2008.

10. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The Group did not revalue any of its property, plant and equipment.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date except for the following:-

(a) Acquisition of subsidiaries:

- On 19th September 2007, the Company entered into the Sale & Purchase Agreement with AIC Inspirasi Sdn Bhd (“AISB”) to acquire 100% equity interest in BHSB and APSB for an aggregate purchase consideration sum of RM 12,291,684 satisfied via issuance of 9,833,347 new ordinary shares at RM 1.25 each (“the acquisition”).
- On 14th April 2008, the acquisition was completed with the issuance of 9,833,347 new ordinary shares of the Company at RM 1.25 each to AISB.
- The assets and liabilities arising from the acquisition are as follows:

	Recognised value on acquisition RM'000
Property, plant and equipment	5,271
Development expenditure	178
Quoted investment	10
Inventories	2,891
Receivables, deposits and prepayments	9,014
Tax recoverable	412
Deferred tax assets	449
Cash and cash equivalents	2,649
Payables and accruals	(8,311)
Borrowings	(100)
Provisions	(52)
	<hr/>
Net identifiable assets and liabilities	12,411
Negative goodwill on acquisition	(119)
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Issuance of shares for acquisitions	12,292
Cash acquired	(2,649)
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Net of acquisitions	9,643
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(b) Acquisition of minority interest:

- On 7th March 2008, the Company completed the acquisition of an additional 20% equity interest in subsidiary, Aventur Door System Sdn Bhd, comprising 370,000 ordinary shares of RM1.00 each for a consideration sum of RM20,000.
- On 7th March 2008, the Company completed the acquisition of an additional 22.22% equity interest in subsidiary, Automako Sdn Bhd, comprising 233,333 ordinary shares of RM1.00 each for a consideration sum of RM385,000.
- On 7th March 2008, a wholly owned subsidiary company completed the acquisition of a 5% equity interest in another subsidiary, Noble Decree Sdn Bhd, comprising 40,000 ordinary shares of RM1.00 each for a consideration sum of RM1.00.

12. Contingent liabilities and contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual financial statements as at 31 December 2007 till the date of this quarterly report.

13. Capital commitment

There is no material capital commitment for the financial period ended 30 September 2008.

14. Significant related party transactions

The following are the significant related party transactions:-

	Quarter Ended 30.09.2008 RM'000	9 Months Ended 30.09.2008 RM'000
Rental of premises payable to related company	264	792
Purchases of materials from related company	360	1,002
Administrative services payable to related company	11	25

15. Subsequent events

There were no material events subsequent to the balance sheet date to be disclosed in the financial statement for the financial period ended 30 September 2008.

PART B - ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENT

16. Review of performance

The Group achieved a turnover of RM17.060 million for the current financial period ended 30 September 2008 which represents an increase of RM7.501 million as compared to the corresponding financial period.

The Group recorded a loss before taxation and minority interest of RM0.015 million for the current financial period ended 30 September 2008 as compared to profit before taxation and minority interest of RM0.389 million in the corresponding financial period ended 30 September 2007.

17. Comparison with preceding quarter's results

The Group turnover has increased by RM1.443 million or 9.24% as compared to the preceding quarter. The loss before taxation and minority interest of RM0.015 million is lower compared to profit before taxation and minority interest of RM2.114 million in the preceding quarter.

18. Prospects

In view of the current uncertainties over the local and global economies, the Group expects its income to be dampened for the remaining part of the year.

19. Variance of actual profit from forecast profit

Not applicable as no profit forecast was published.

20. Sale of unquoted investment and properties

As disclosed during the previous quarter ended 30 June 2008, the Group completed the disposal of its freehold land and building to SNC Consolidated Sdn Bhd, resulting in a non recurring gain on disposal of RM0.58 million.

21. Purchase or disposal of quoted securities

- There were no purchases or disposal of quoted securities for the current quarter under review.
- Investments in quoted securities as at 30 September 2008 are as follows:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	10	10	10

22. Taxation

The taxation for the current quarter and financial year-to-date is as follows:-

	Quarter Ended 30.09.2008 RM'000	9 Months Ended 30.09.2008 RM'000
Tax expenses		
- current period provision	173	431

The effective tax rate of the Group for the current financial quarter and year-to-date are lower than the statutory tax rate principally due to certain income which is not taxable.

23. Corporate proposals

There were no corporate proposals announced but not completed within 7 days from the date of issue of this quarterly report.

24. Group borrowings (secured)

Total Group borrowings as at 30 September 2008, in Ringgit Malaysia ("RM") are as follows:-

	30.09.2008 (unaudited) RM'000	31.12.2007 (audited) RM'000
Short term borrowings	2,710	8,075
Long term borrowings	60	-
	<u>2,770</u>	<u>8,075</u>

25. Off balance sheet financial instruments

There were no off balance sheet financial instruments for financial period ended 30 September 2008.


26. Material litigation

Further to the disclosure in the previous quarter's report on material litigation, there are no changes in material litigation as at 30 September 2008.

27. Earnings per share

	<u>Quarter Ended</u>		<u>9 Months Ended</u>	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
a) Basic				
Net / profit attributable to shareholders (RM'000)	(338)	55	2,508	154
Weighted average number of shares outstanding	55,082	47,800	55,082	45,538
Basic earnings per share (sen)	(0.61)	0.12	4.55	0.34
b) Diluted				
Net / profit attributable to shareholders (RM'000)	(338)	55	2,508	154
Weighted average number of shares for basic earnings per share	55,082	48,415	55,082	46,153
Effect of unexercised share options	-	(482)	-	(482)
Adjusted weighted average number of shares outstanding	N/A	47,933	N/A	45,671
Diluted earnings per share (sen)	N/A	0.11	N/A	0.34

On behalf of the Board
AV VENTURES CORPORATION BERHAD (108253-W)


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KONG KOK KEONG
Chairman / Chief Executive Officer