

**INTERIM REPORT
2018/19**



AV CONCEPT HOLDINGS LIMITED

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

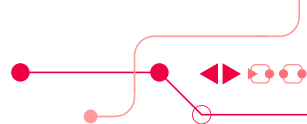


STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Six months ended 30 September	
	2018	2017
	HK\$'million	HK\$'million
Revenue		
– Semiconductor distribution	926.6	818.3
– Consumer electronic product and brand omni-channel business	47.4	28.0
– Others	4.4	–
	<u>978.4</u>	<u>846.3</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(12.2)	(15.3)
– Venture capital	(5.9)	(1.1)
– Semiconductor distribution	90.1	87.1
– Consumer electronic product and brand omni-channel business	(4.6)	(1.3)
– Others	(5.4)	(2.5)
	<u>62.0</u>	<u>66.9</u>
Depreciation and amortisation	<u>(1.9)</u>	<u>(1.7)</u>
Profit for the period attributable to:		
Owners of the Company	60.7	65.4
Non-controlling interests	(0.4)	–
	<u>60.3</u>	<u>65.4</u>
Interim dividend	<u>–</u>	<u>–</u>

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	30 September 2018	31 March 2018
	HK\$'million	HK\$'million
Total assets	1,366.8	1,405.8
Total assets less current liabilities	1,141.8	1,106.9
Total equity	1,121.1	1,086.7
Borrowings and finance lease payables	137.2	136.6
Cash and cash equivalents	64.0	233.9
Equity investments at fair value through profit or loss	–	99.3
Financial assets at fair value through profit or loss included in current assets	159.8	–
	223.8	333.2
Total debt to total equity (%)	12%	13%
Current assets to current liabilities (%)	216%	195%
Cash and cash equivalents, equity investments and financial assets at fair value through profit or loss per share (HK\$)	0.25	0.36
Total equity per share (HK\$)	1.23	1.18



UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board” or “Directors”) of AV Concept Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September 2018 (unaudited)	30 September 2017 (unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	978,399	846,338
Cost of sales		<u>(959,775)</u>	<u>(826,967)</u>
Gross profit		18,624	19,371
Other income and gains	4	6,950	6,632
Selling and distribution expenses		(8,544)	(4,986)
Administrative expenses		(38,501)	(35,595)
Fair value loss, net:			
Equity investments at fair value			
through profit or loss			
– held for trading		–	(415)
– designated as such upon initial recognition		–	(344)
Fair value loss on financial assets at fair value			
through profit or loss		(5,589)	–
Other expenses, net		(2,852)	(933)
Finance costs	5	(3,605)	(2,050)
Share of profits and losses of:			
Joint ventures		94,049	83,732
Associates		<u>–</u>	<u>605</u>
Profit before tax	6	60,532	66,017
Income tax	7	(209)	(662)
Profit for the period		<u>60,323</u>	<u>65,355</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September 2018 (unaudited)	30 September 2017 (unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		60,690	65,355
Non-controlling interests		(367)	–
		<u>60,323</u>	<u>65,355</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	<i>9</i>		
Basic		<u>HK\$0.067</u>	<u>HK\$0.070</u>
Diluted		<u>N/A</u>	<u>HK\$0.070</u>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September 2018 (unaudited) HK\$'000	30 September 2017 (unaudited) HK\$'000
PROFIT FOR THE PERIOD	60,323	65,355
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments: Changes in fair value	-	(36,579)
Exchange differences on translation of foreign operations	(4,146)	853
NET OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(4,146)	(35,726)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56,177	29,629
Attributable to:		
Owners of the Company	56,544	29,629
Non-controlling interests	(367)	-
	56,177	29,629

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2018 (unaudited)	31 March 2018 (audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	47,234	46,055
Investment properties		124,739	125,673
Other intangible assets		4,109	4,160
Investments in joint ventures		678,718	619,544
Investments in associates		1,148	1,148
Available-for-sale investments	11	–	22,353
Financial assets at fair value through profit or loss	12	22,353	–
Deposits		198	198
Pledged time deposits		2,952	2,623
Total non-current assets		881,451	821,754
CURRENT ASSETS			
Inventories		150,019	160,176
Trade receivables	13	81,400	67,967
Due from associates		386	359
Prepayments, deposits and other receivables		29,782	22,389
Equity investments at fair value through profit or loss	14	–	99,265
Financial assets at fair value through profit or loss	12	159,760	–
Tax recoverable		2	2
Cash and cash equivalents		64,016	233,887
Total current assets		485,365	584,045
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	15	42,854	128,338
Contract liabilities		11,825	–
Interest-bearing bank borrowings		128,532	129,658
Finance lease payables		1,904	820
Tax payable		298	494
Financial guarantee obligation		39,575	39,575
Total current liabilities		224,988	298,885
NET CURRENT ASSETS		260,377	285,160
TOTAL ASSETS LESS CURRENT LIABILITIES		1,141,828	1,106,914



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2018 (unaudited)	31 March 2018 (audited)
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		4,231	4,441
Finance lease payables		2,496	1,726
Deferred tax liabilities		<u>14,041</u>	<u>14,021</u>
Total non-current liabilities		<u>20,768</u>	<u>20,188</u>
Net assets		<u>1,121,060</u>	<u>1,086,726</u>
EQUITY			
Issued capital	16	90,866	92,315
Reserves		<u>1,014,341</u>	<u>981,804</u>
Equity attributable to owners of the Company		<u>1,105,207</u>	1,074,119
Non-controlling interests		<u>15,853</u>	<u>12,607</u>
Total equity		<u>1,121,060</u>	<u>1,086,726</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Other reserve	Available-for-sale investments revaluation reserve	Asset revaluation reserve	Equity-settled share-based payment reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017 (audited)	77,294	453,469	19,484	(38,483)	145,199	38,765	110	(1,027)	372,138	1,066,949	11,345	1,078,294
Profit for the period	-	-	-	-	-	-	-	-	65,355	65,355	-	65,355
Other comprehensive income/(loss) for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	(36,579)	-	-	-	-	(36,579)	-	(36,579)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	853	-	853	-	853
Total comprehensive income/(loss) for the period	-	-	-	-	(36,579)	-	-	853	65,355	29,629	-	29,629
Issue of bonus shares (Note 1 <i>g</i>)	15,459	(15,459)	-	-	-	-	-	-	-	-	-	-
Dividend paid (Note 8)	-	-	-	-	-	-	-	-	(15,459)	(15,459)	-	(15,459)
At 30 September 2017 (unaudited)	92,753	438,010	19,484	(38,483)	108,620	38,765	110	(174)	422,034	1,081,119	11,345	1,092,464
At 1 April 2018 (audited)	92,315	435,553	19,484	(38,483)	(1,370)	38,765	-	6,631	521,224	1,074,119	12,607	1,086,726
Adjustment on adoption of HKFRS 9	-	-	-	-	1,370	-	-	-	(1,370)	-	-	-
Restated balance at 1 April 2018	92,315	435,553	19,484	(38,483)	-	38,765	-	6,631	519,854	1,074,119	12,607	1,086,726
Profit/(loss) for the period	-	-	-	-	-	-	-	-	60,690	60,690	(367)	60,323
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,146)	-	(4,146)	-	(4,146)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(4,146)	60,690	56,544	(367)	56,177
Repurchase of shares (Note 1 <i>g</i>)	(1,449)	(5,834)	-	-	-	-	-	-	-	(7,283)	-	(7,283)
Dividend paid (Note 8)	-	-	-	-	-	-	-	-	(18,173)	(18,173)	-	(18,173)
Incorporation of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	3,613	3,613
At 30 September 2018 (unaudited)	90,866	429,719	19,484	(38,483)	-	38,765	-	2,485	562,371	1,105,207	15,853	1,121,060



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (unaudited)
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Purchases of financial assets at fair value through profit or loss	(136,078)	–
Proceeds from disposal of financial assets at fair value through profit or loss	69,994	–
Purchases of equity investments at fair value through profit or loss	–	(9,549)
Dividend income received from a joint venture	34,965	–
Other operating cash flows, net	(111,048)	18,401
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(142,167)	8,852
INVESTING ACTIVITIES		
Bank interest received	9	13
Purchases of property, plant and equipment	(1,224)	(7,428)
Subscription of shares in a joint venture	–	(33,750)
Other investing cash flows, net	582	105
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(633)	(41,060)
FINANCING ACTIVITIES		
New bank borrowings	–	4,089
Repayment of bank borrowings	(45,810)	(3,600)
Net increase in import and trust receipt loans	46,061	261
Repurchase of shares	(7,283)	–
Dividend paid	(18,173)	(15,459)
Other financing cash flows, net	(573)	(2,462)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(25,778)	(17,171)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(168,578)	(49,379)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	233,887	111,600
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(1,293)	(924)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	64,016	61,297



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company is an investment holding company. Its subsidiaries are principally engaged in marketing and distribution of electronic components, design, development and sale of electronic products, brand omni-channel business, and venture capital investment.

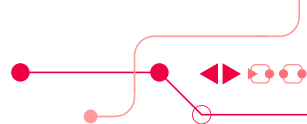
The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation issued by the HKICPA as noted below.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than HKFRS 9 and HKFRS 15, the adoption of these new and revised HKFRSs and interpretation has had no material impact on the condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. **PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

- (i) Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- (ii) Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

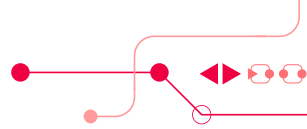
The Group's unlisted equity investments, key management insurance contracts and convertible promissory note of HK\$22,353,000 were previously classified as available-for-sale investments and measured at FVOCI under HKAS 39. Under HKFRS 9, they have been classified and measured as financial assets at FVPL and the accumulated fair value loss of HK\$1,370,000 was reclassified from the available-for-sale investments revaluation reserve to the retained profits on 1 April 2018. Under HKFRS 9, the Group's equity investments of HK\$99,265,000 were classified as financial assets at FVPL.

The following table summarises classification changes for the Group's financial assets at 1 April 2018:

	Originally stated	Reclassification under HKFRS 9	Restated
	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	22,353	(22,353)	–
Equity investments at FVPL	99,265	(99,265)	–
Financial assets at FVPL	–	121,618	121,618
	<u>121,618</u>	<u>–</u>	<u>121,618</u>

In accordance with HKFRS 9, the Group did not restate comparative information. Instead, the Group recognised the transition adjustments against the opening balance of equity at 1 April 2018. The effect on opening balance of equity is as follows:

	Available- for-sale investments revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000
Opening balance (Originally stated)	(1,370)	521,224	519,854
Reclassification of available-for-sale investments revaluation reserve under HKFRS 9	<u>1,370</u>	<u>(1,370)</u>	<u>–</u>
Opening balance (restated)	<u>–</u>	<u>519,854</u>	<u>519,854</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. *PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)*

HKFRS 9 Financial Instruments (Continued)

(ii) *Impairment of financial assets*

HKFRS 9 requires an impairment on trades receivables, amounts due from associates, and deposits and other receivables that are not accounted for at FVPL under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables. The Group applied general approach and recorded twelve month expected losses on its amounts due from associates, and deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 April 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

Prior to the adoption of HKFRS 15, the Group presented sales deposits received from customers as deposits received included in trade payables, deposits received and accrued expenses in the condensed consolidated statement of financial position.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. *PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)*

HKFRS 15 Revenue from Contracts with Customers (Continued)

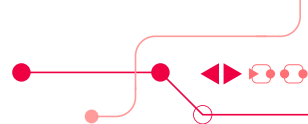
Upon adoption of HKFRS 15, reclassification has been made from certain deposits received included in trade payables, deposits received and accrued expenses to contract liabilities. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 April 2018. As at 1 April 2018, certain deposits received included in trade payables, deposits received and accrued expenses amounting to HK\$10,644,000 has been reclassified to contract liabilities.

	Trade payables, deposits received and accrued expenses	Contract liabilities
	HK\$'000	HK\$'000
Originally stated balance at 1 April 2018	128,338	–
Reclassified from certain deposits received included in trade payables, deposits received and accrued expenses to contract liabilities	<u>(10,644)</u>	<u>10,644</u>
Restated balance at 1 April 2018	<u>117,694</u>	<u>10,644</u>

3. *SEGMENT INFORMATION*

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

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer electronic product and brand omni-channel business segment engages in the design, development and sale of electronic products, and brand management, brand licensing and product sourcing services;
- (c) the venture capital segment engages in the investments in listed/unlisted equity and debt investments with an ultimate objective of obtaining capital gains on investee's equity listing or, in some circumstances, prior to listing. It also includes investments in real estate, managed funds, convertible bonds and listed bonds; and
- (d) the others segment mainly comprises the Group's Internet social media business.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's 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 is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, dividend income from listed investments, rental income, share of profits and losses of associates and joint ventures, gain on disposal of items of property, plant and equipment, impairment of other receivables, finance costs and unallocated expenses are excluded from such measurement.

Information regarding the above segments is reported below.

Six months ended 30 September 2018 (Unaudited)

	Semiconductor distribution	Consumer electronic product and brand omni-channel business	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	926,621	47,396	-	4,382	978,399
Other revenue	-	-	(3,669)	-	(3,669)
Total	926,621	47,396	(3,669)	4,382	974,730
Reconciliation:					
Less: Other revenue (note)					3,669
Revenue as presented in the condensed consolidated statement of profit or loss					978,399
Segment results	(3,684)	(4,606)	(5,892)	(5,526)	(19,708)
Reconciliation:					
Bank interest income					9
Rental income					2,917
Share of profits of joint ventures					94,049
Impairment of other receivables					(937)
Unallocated expenses					(12,193)
Finance costs					(3,605)
Profit before tax					60,532

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

Six months ended 30 September 2017 (Unaudited)

	Semiconductor distribution	Consumer electronic product and brand omni-channel business	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	818,284	28,043	-	11	846,338
Other revenue	-	-	779	-	779
Total	818,284	28,043	779	11	847,117
Reconciliation:					
Less: Other revenue (<i>note</i>)					(779)
Revenue as presented in the condensed consolidated statement of profit or loss					846,338
Segment results	200	(1,318)	(1,146)	(2,470)	(4,734)
Reconciliation:					
Bank interest income					13
Dividend income from listed investments					15
Rental income					3,066
Share of profits of joint ventures					83,732
Share of profits and losses of associates					605
Gain on disposal of items of property, plant and equipment					626
Unallocated expenses					(15,256)
Finance costs					(2,050)
Profit before tax					66,017

Note: Other revenue in segment revenue was classified as other income and gains, fair value loss of equity investments at fair value through profit or loss and fair value loss on financial assets at fair value through profit or loss in the condensed consolidated statement of profit or loss.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by segment:

	Semiconductor distribution	Consumer electronic product and brand omni-channel business	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Period ended 30 September 2018 (unaudited)					
Segment assets	723,903	130,516	193,466	15,069	1,062,954
Reconciliation:					
Elimination of intersegment receivables					(468,962)
Investments in joint ventures					678,718
Investments in associates					1,148
Corporate and other unallocated assets					92,958
Total assets					<u>1,366,816</u>
Segment liabilities	46,086	190,374	236,733	49,420	522,613
Reconciliation:					
Elimination of intersegment payables					(468,962)
Corporate and other unallocated liabilities					192,105
Total liabilities					<u>245,756</u>
Year ended 31 March 2018 (audited)					
Segment assets	638,601	115,515	124,184	13,318	891,618
Reconciliation:					
Elimination of intersegment receivables					(369,065)
Investments in joint ventures					619,544
Investments in associates					1,148
Corporate and other unallocated assets					262,554
Total assets					<u>1,405,799</u>
Segment liabilities	111,598	173,523	162,156	41,445	488,722
Reconciliation:					
Elimination of intersegment payables					(369,065)
Corporate and other unallocated liabilities					199,416
Total liabilities					<u>319,073</u>

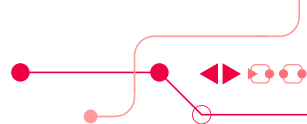
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (unaudited)
	HK\$'000	HK\$'000
Revenue		
Semiconductor distribution	926,621	818,284
Consumer electronic product and brand omni-channel business	47,396	28,043
Others	4,382	11
	<u>978,399</u>	<u>846,338</u>
Other income and gains		
Bank interest income	9	13
Interest income on convertible bonds	937	1,166
Interest income on listed bond investments	637	-
Other interest income	-	315
Dividend income from listed investments	274	15
Gain on disposal of items of property, plant and equipment	-	626
Trademark licence income	136	68
Rental income	2,917	3,066
Net exchange gain	1,136	1,101
Others	904	262
	<u>6,950</u>	<u>6,632</u>

5. FINANCE COSTS

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	3,531	1,982
Interest on finance lease	74	68
	<u>3,605</u>	<u>2,050</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September 2018 (unaudited) HK\$'000	30 September 2017 (unaudited) HK\$'000
Depreciation of property, plant and equipment	1,890	1,723
Amortisation of other intangible assets	9	9
Impairment of other receivables	937	-
Foreign exchange differences, net	(1,136)	(1,101)
Reversal of bad debts	-	(340)

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (for the six months ended 30 September 2017: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended	
	30 September 2018 (unaudited) HK\$'000	30 September 2017 (unaudited) HK\$'000
Current – Elsewhere		
Charge for the period	209	662

8. DIVIDEND

During the current period, final dividend of HK\$0.02 (for the six months ended 30 September 2017: HK\$0.02) per share in respect of the year ended 31 March 2018, totalling HK\$18,173,000 (for the six months ended 30 September 2017: HK\$15,459,000), was declared and paid. The directors do not recommend the payment of an interim dividend.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

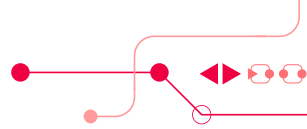
The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 910,740,929 (for the six months ended 30 September 2017: 927,533,302) in issue during the period.

No diluted earnings per share is presented for the six months ended 30 September 2018 as there were no potential ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts for the six months ended 30 September 2017 was based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the 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 calculation of basic and diluted earnings per share is based on:

	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>60,690</u>	<u>65,355</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

	Number of shares	
	30 September 2018	30 September 2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	910,740,929	927,533,302
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	264,468
	<u>910,740,929</u>	<u>927,797,770</u>

Note: On 19 September 2017, 154,588,883 shares of HK\$0.1 each were issued under bonus issue on the basis of one bonus share for every five existing shares. Details of the bonus issue were set out in the announcement of the Company dated 19 September 2017. In determining the weighted average number of ordinary shares in issue during the six months ended 30 September 2017, the 154,588,883 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 April 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment at an aggregate cost of approximately HK\$3,698,000 (six months ended 30 September 2017: HK\$8,446,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	–	3,893
Key management insurance contracts, at fair value	–	22,353
Convertible promissory note, at cost	–	15,540
Impairment	–	(19,433)
	<u>–</u>	<u>22,353</u>

Available-for-sale investments were reclassified to financial assets at fair value through profit or loss upon the initial application of HKFRS 9 at 1 April 2018 as disclosed in note 2. During the period ended 30 September 2017, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$36,579,000.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Investment in a joint venture	20,156	–
Investment in convertible bonds	24,993	–
Listed equity investments, at market value	34,720	–
Listed bond investments, at market value	45,509	–
Unlisted equity investments	34,382	–
Key management insurance contracts	22,353	–
Convertible promissory note	–	–
	<u>182,113</u>	<u>–</u>
Analysed for reporting purpose as:		
Current assets	159,760	–
Non-current assets	22,353	–
	<u>182,113</u>	<u>–</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Trade receivables	88,175	75,289
Impairment	(6,775)	(7,322)
	81,400	67,967

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 over 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 Company 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. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the payment due date and before provisions of impairment, is as follows:

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Current	41,831	50,327
1 to 30 days	33,952	14,400
31 to 60 days	448	1,411
Over 60 days	11,944	9,151
	88,175	75,289



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Investment in a joint venture, at fair value	–	23,300
Investment in convertible bonds, at fair value	–	24,993
Listed equity investments, at market value	–	15,455
Listed bond investments, at market value	–	7,981
Unlisted equity investments, at fair value	–	27,536
	<u>–</u>	<u>99,265</u>

Equity investments at fair value through profit or loss were reclassified to financial assets at fair value through profit or loss upon the initial application of HKFRS 9 at 1 April 2018 as disclosed in note 2. At 31 March 2018, the above equity investments with a carrying amount of HK\$23,436,000 were classified as held for trading.

15. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Trade payables	27,181	93,059
Deposits received	2,011	12,304
Accrued expenses	13,662	22,975
	<u>42,854</u>	<u>128,338</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES (Continued)

An aged analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	30 September 2018 (unaudited)	31 March 2018 (audited)
	HK\$'000	HK\$'000
Trade payables:		
Current	22,410	90,238
1 to 30 days	1,312	550
31 to 60 days	401	19
Over 60 days	3,058	2,252
	27,181	93,059

The trade payables are non-interest bearing and are normally settled between 30 and 90 days. The carrying amounts of the trade payables approximate to their fair values.

16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
		HK\$'000
Authorised:		
At 1 April 2017 (audited), 30 September 2017 (unaudited), 31 March 2018 (audited) and 30 September 2018 (unaudited)	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April 2017 (audited)	772,944,419	77,294
Bonus issue of shares (<i>note a</i>)	<u>154,588,883</u>	<u>15,459</u>
At 30 September 2017 (unaudited)	927,533,302	92,753
Share options exercised (<i>Note b</i>)	720,000	72
Shares repurchased (<i>Note c</i>)	<u>(5,104,000)</u>	<u>(510)</u>
At 31 March 2018 (audited)	923,149,302	92,315
Shares repurchased (<i>Note d</i>)	<u>(14,486,000)</u>	<u>(1,449)</u>
At 30 September 2018 (unaudited)	<u>908,663,302</u>	<u>90,866</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL (Continued)

Notes:

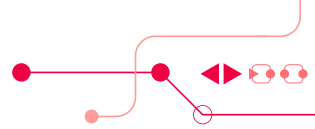
- (a) On 19 September 2017, 154,588,883 shares of HK\$0.1 each were issued under bonus issue on the basis of one bonus share for every five existing shares. Details of the bonus issue were set out in the announcement of the Company dated 19 September 2017.
- (b) The subscription rights attaching to 720,000 share options were exercised at the subscription price of HK\$0.3625 per share, resulting in the issue of 720,000 shares for a total cash consideration, before expenses, of HK\$261,000.
- (c) The Company repurchased 5,104,000 of its own shares through the Stock Exchange at a total consideration of HK\$3,266,000 which was paid wholly out of the share premium account. The repurchased shares were cancelled during the year ended 31 March 2018 and the total amount paid for the repurchase of the shares in excess of the par value of HK\$2,756,000 has been charged to share premium account of the Company.
- (d) The Company repurchased 14,486,000 of its own shares through the Stock Exchange at a total consideration of HK\$7,283,000 which was paid wholly out of the share premium account. The repurchased shares were cancelled during the period and the total amount paid for the repurchase of the shares in excess of the par value of HK\$5,834,000 has been charged to share premium account of the Company.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 30 September 2018	Fair value hierarchy	Valuation techniques and key inputs
Key management insurance contracts, at fair value classified as financial assets at fair value through profit or loss (as at 31 March 2018: classified as available-for-sale investments) in the condensed consolidated statement of financial position	HK\$22,353,000 (As at 31 March 2018: HK\$22,353,000)	Level 3	Values are estimated based on the account values less surrender charges quoted by the vendors
Investment in a joint venture classified as financial assets at fair value through profit or loss (as at 31 March 2018: classified as equity investments at fair value through profit or loss) in the condensed consolidated statement of financial position	HK\$20,156,000 (As at 31 March 2018: HK\$23,300,000)	Level 3	Values are estimated with reference to the adjusted net asset value
Investment in convertible bonds classified as financial assets at fair value through profit or loss (as at 31 March 2018: classified as equity investments at fair value through profit or loss) in the condensed consolidated statement of financial position	HK\$24,993,000 (As at 31 March 2018: HK\$24,993,000)	Level 3	Values are estimated with reference to discount rates and volatility of share prices of comparable listed companies
Listed equity investments, at market value classified as financial assets at fair value through profit or loss (as at 31 March 2018: classified as equity investments at fair value through profit or loss) in the condensed consolidated statement of financial position	HK\$34,720,000 (As at 31 March 2018: HK\$15,455,000)	Level 1	Quoted bid prices in an active market
Listed bond investments, at market value classified as financial assets at fair value through profit or loss (as at 31 March 2018: classified as equity investments at fair value through profit or loss) in the condensed consolidated statement of financial position	HK\$45,509,000 (As at 31 March 2018: HK\$7,981,000)	Level 1	Quoted bid prices in an active market
Unlisted equity investments classified as financial assets at fair value through profit or loss (as at 31 March 2018: classified as equity investments at fair value through profit or loss) in the condensed consolidated statement of financial position	HK\$34,382,000 (As at 31 March 2018: HK\$27,536,000)	Level 3	Values are estimated with reference to multiples of comparable listed companies, such as average of the enterprise value to sales ratio and price to earnings ratio

Note: In management's opinion, the sensitivity analysis is unrepresentative as it does not reflect the exposure during the period/year.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

There were no transfer between different levels of fair value hierarchy for the six months ended 30 September 2018 and 30 September 2017.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

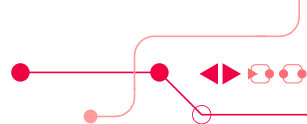
Reconciliation of Level 3 fair value measurements of financial assets

	HK\$'000
At 31 March 2017 (audited)	108,258
Purchases	<u>4,662</u>
At 30 September 2017 (unaudited)	112,920
Total losses recognised in condensed consolidated statement of comprehensive income	(49,916)
Purchases	<u>35,178</u>
At 31 March 2018 (audited)	98,182
Total losses recognised in condensed consolidated statement of comprehensive income	(3,144)
Purchases	<u>6,846</u>
At 30 September 2018 (unaudited)	<u><u>101,884</u></u>

Fair value measurement and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group would consider engaging independent valuer to perform the valuation on regular basis. The management of the Company works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

For the valuation of key management insurance contracts, investment in a joint venture, investment in convertible bonds and unlisted equity investments, the management of the Company estimated the expected amount based on the current available information. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim report, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	Six months ended	
		30 September 2018 (unaudited)	30 September 2017 (unaudited)
		HK\$'000	HK\$'000
Associates:			
Sales of products	<i>(i)</i>	–	358
Purchases of products	<i>(i)</i>	–	158
Trademark licence income	<i>(ii)</i>	–	68
Joint venture:			
Sales of products	<i>(i)</i>	32,201	–
Purchases of products	<i>(i)</i>	–	4,846
Dividend income	<i>(iii)</i>	34,965	–

Notes:

- (i) The sales to an associate and a joint venture and purchases from an associate and a joint venture were made with reference to the cost of products.
- (ii) The trademark licence income from an associate was received with reference to the actual costs incurred.
- (iii) The dividend declared by the joint venture of the Group was for the interim dividend for six months ended 30 June 2018.

(b) *Compensation of key management personnel*

The Group's key management personnel are the executive directors of the Company. The remuneration of key management during the period is as follows:

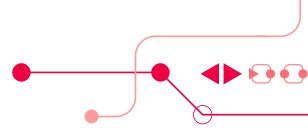
	Six months ended	
	30 September 2018 (unaudited)	30 September 2017 (unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	7,055	8,963
Pension scheme contributions	88	192
	7,143	9,155

The remuneration of directors is determined having regard to the performance of individuals and market trends.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2018, with the comparative figures for the corresponding six months period of 2017.

	Six months ended	
	30 September	
	2018	2017
	HK\$'million	HK\$'million
Segment Revenue		
Semiconductor distribution	926.6	818.3
Consumer electronic product and brand omni-channel business	47.4	28.0
Venture capital	(3.7)	0.8
Others	4.4	–
	974.7	847.1
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(12.2)	(15.3)
Venture capital	(5.9)	(1.1)
Semiconductor distribution	90.1	87.1
Consumer electronic product and brand omni-channel business	(4.6)	(1.3)
Others	(5.4)	(2.5)
	62.0	66.9
Depreciation and amortisation		
Corporate	–	–
Venture capital	(0.4)	(0.5)
Semiconductor distribution	(1.1)	(1.1)
Consumer electronic product and brand omni-channel business	(0.2)	(0.1)
Others	(0.2)	–
Total depreciation and amortisation	(1.9)	(1.7)
Profit before interest and tax	64.1	68.1
Interest expenses	(3.6)	(2.1)
Bank interest income	–	–
Profit before tax	60.5	66.0
Income tax	(0.2)	(0.6)
Profit for the period	60.3	65.4
Profit for the period attributable to:		
Owners of the Company	60.7	65.4
Non-controlling interests	(0.4)	–
	60.3	65.4



BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

After the longest economic boom in the world history, United States (“US”) imposed a 10% tariff on US\$200 billion worth of Chinese goods on 24 September 2018, triggering the US-China trade dispute, which increased the risk of global economic war. The International Monetary Fund cut its global economic growth forecast by 0.2% in October for this year and next year. It is expected that the global economic growth rate will slow down to 3.7%. The “China Financial Stability Report 2018” published by the People’s Bank of China in November 2018 is also citing the huge uncertainties relating to the global economy and financial markets in 2019. However, the tension in the trade war is expected to slightly cool down after the US mid-term elections.

On the other hand, China’s economic growth has shown signs of slowing down, and the gross domestic product growth rate has dropped from 6.7% in the second quarter to 6.5% in the third quarter in the year 2018. China has recently launched various measures to further boost economic transformation and upgrade, which include the establishment of a new section of the “China Shanghai Free Trade Pilot Zone”, the establishment of a science and technology board on the Shanghai Stock Exchange and the pilot registration system, support regional integration development in the Yangtze River Delta as national strategy etc., we believe that further opening up of the market will support China’s economic growth.

During the period under review, the Group’s segment turnover was approximately HK\$974.7 million (2017: HK\$847.1 million), an increase of 15.06%. Among which semiconductor distribution business recorded a turnover of HK\$926.6 million (2017: HK\$818.3 million), consumer electronic product and brand omni-channel business recorded a revenue of HK\$47.4 million (2017: HK\$28.0 million), venture capital business recorded a loss of HK\$3.7million (2017: profit of HK\$0.8 million) and Internet social media business recorded a revenue of HK\$4.4 million (2017: HK\$11,000).

Semiconductor Distribution Business

According to International Data Corporation (“IDC”), smartphone manufacturers shipped 355.2 million units global smartphones in the third quarter of 2018, decrease by 6% from 377.8 million units in the same period in 2017. Global smartphone market remains weak overall despite the traditional peak launch season new smartphones. However, as a well-known semiconductor distributor in the industry, with years of market experience and strong customer relationships, the Group has continued to maintain its leading position in the industry with solid performance.

During the period under review, the semiconductor distribution business recorded a turnover of HK\$926.6 million (2017: HK\$818.3 million). Among them, Singapore remained as the main market of the Group, contributing approximately HK\$696.1 million, followed by Hong Kong with turnover of approximately HK\$230.5 million. According to the National Economic Survey of the Third Quarter of 2018 released by the Ministry of Trade and Industry of Singapore, Singapore’s economy is growing by 2.6%, thanks to the continued expansion of the electronics industry. It is expected that Singapore’s economy will maintain steady growth in 2018. The main products sold to the Singapore market are memory chips and thin film transistor liquid crystal displays, which are widely used in smartphones and LCD televisions. As the overall economy of Singapore is improving, the semiconductor distribution business will also maintain stable growth.



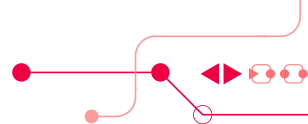
BUSINESS REVIEW AND PROSPECTS

During the period under review, the joint venture of the Group, AVP Electronics Limited and its subsidiaries (“AVPEL Group”), continued to record satisfactory results. Its turnover, though not being consolidated into the Group’s consolidated financial statements, recorded 23.9% increase to HK\$14,281 million (2017: HK\$11,529 million). The main customers of AVPEL Group are China’s major mobile phone manufacturers and mobile phone component suppliers. Although the Chinese mobile phone market has undergone large-scale integration during the period under review, the number of mobile phone operators and the scale of the entire industry has been reduced. The increase was mainly attributable to the relatively stable orders for the distribution of Samsung Electronics including (i) CMOS image sensors (ii) multi-layer packaged chips, and (iii) ARM processors. Prices have continued to rise since 2017, enabling continuous business growth.

According to IDC’s report, global smartphone sales in the second quarter of 2018 were 342 million units, an increase of 1.8% year-on-year. Southeast Asian markets including Indonesia and India continued to lead. China’s major mobile phone brands have also continued to increase resources for the Southeast Asian market to meet the huge market opportunities. According to IDC’s latest report, in the first quarter of 2018, Indonesia’s smartphone sales increased by 13% year-on-year and shipments reached 7.3 million units. The Southeast Asian smartphone market will be the growth driver for the Group’s semiconductor distribution business. IDC also expects that shipments of smart phones will rebound upon 5G and consumption demands from emerging market. It is estimated that the annual growth rate will reach 2.5% in the next five years. The Group remains optimistic about the overall consumer environment and expects that technological innovation and reform will bring new opportunities to market participants. The Group will invest more resources in the semiconductor distribution business in the medium and long term to achieve more substantial returns.

Consumer Electronic Product and Brand Omni-channel Business

The Group follows the megatrend of online and offline omni-channel development of various world-renowned brands, and refines the “consumer electronics product business” into “consumer electronics product and brand omni-channel business”, thereby providing online and offline omni-channels for different brands. During the period under review, the restructured consumer electronics product and brand omni-channel business recorded a turnover of HK\$ 47.4 million (2017: HK\$28 million). The consumer electronics product and brand omni-channel business was started in 2008 under the subsidiary of Signeo Design International Limited (“Signeo Design”). In addition to the original three major businesses namely brand management, brand licensing and product procurement, it also actively develops the operation services for the Southeast Asian market to stay in-line with the needs of brand customers.



BUSINESS REVIEW AND PROSPECTS

In recent years, e-commerce has developed rapidly. During the period under review, the Group integrated the original Signeo Design and its team to meet the needs of customers, and has actively deployed e-commerce teams and commissioners who understand local culture in Southeast Asia markets such as Indonesia, Taiwan and Singapore. In the past, Signeo Design's strong procurement plan and comprehensive sales and distribution network in the Asia-Pacific region further provided brand-name services for the local market, and formally established the brand omni-channel business, which is under the operation of a wholly-owned subsidiary of the Group, E-GoGo Limited ("E-GoGo"). Responsible for the overall operation, and the original Signeo Design team to provide business customers with one-stop business solutions for online and offline omni-channel brand management. It involves brand online and offline marketing strategies and consultancy, official shops or online store operations for various online platforms, digital marketing services, IT solutions, customer services, warehousing and distribution, and even offline smart stores, and is committed to development. The Group is committed to become a leading provider of technology development and solutions for retailers, brands and manufacturers in Southeast Asia as a leading brand e-commerce business partner.

In terms of brand management, the Group is currently carrying a wide range of products, including durable traditional household white goods, personal gadgets, high-tech products and lifestyle goods with brands coming from home and abroad. In terms of Brand Licensing, the Group has secured the brand licensing for Akai, Nakamichi, Philips and other brands. In addition to its rapidly growing market share in the consumer electronics industry, world-renowned brands have started using E-GoGo's services for more comprehensive and appropriate market analysis, channel coverage recommendations and assessments for their online and offline marketing strategies in Southeast Asia market.

Internet Social Media Business

During the period under review, revenue from 830 Media Limited ("830 Media") was HK\$4.4 million (2017: HK\$11,000), which was contributed from 830 Lab Limited ("830 Lab") and Whizoo Media Limited ("Whizoo Media").

830 Lab is a creative content incubator that helps media entrepreneurs or content creators entering the digital media businesses. The services provided by 830 Lab mainly include management training, technical support, production support, large data analysis and digital marketing tools. 830 Media, which focuses on nurturing creative talents, is dedicated to discovering creative talents and teams that publish short films via social media through its creative media incubator, 830 Lab. Whizoo Media is an Internet social media company that specializes in video production on hot topics and publishes videos on different online platforms such as Facebook, YouTube, Instagram, Line and Wechat. Whizoo Media has attracted nearly 220,000 fans on Facebook, proving its high-quality creative content appealing to the Internet audience. In view of this, 830 Media recently launched a new Facebook page for parents called "He She Kids", and invested in OneShot Concept Limited, which owns the "冬 OT" brand, for a more diversified development strategy.



BUSINESS REVIEW AND PROSPECTS

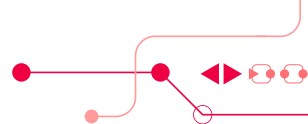
The new media is a big hit among the younger generation and is developing rapidly around the world. Among them, high-quality original videos are a major trend attracting high attention from Internet audiences. In order to promote effective communication within social media and digital marketing, the Group leverages its existing resources to manage its new Internet social media business by creating space and creative channels to thrive in the world of Internet.

Venture Capital Business

During the period under review, the turnover for venture capital business was recorded a loss of HK\$3.7 million (2017: profit of HK\$0.8 million) that is mainly for the fair value loss on equity investments at fair value through profit or loss, fair value loss on financial assets at fair value through profit or loss, interest income on convertible bonds and listed bond investments, and dividend income from listed investments in the current period. As of 30 September 2018, various funds, investment in a joint venture, convertible bonds, listed and unlisted equity investments, listed bond investments and key management insurance contracts were held at fair market value of HK\$182.1 million (31 March 2018: HK\$99.3 million) in the Group. During the period under review, the venture capital business of the Group recorded a fair value loss on financial assets at fair value through profit or loss of HK\$5.6 million (2017: fair value loss on equity investments at fair value through profit or loss of HK\$0.8 million).

Venture capital business has always been a good income source for the Group. The venture capital business engages in the investments in listed/unlisted equity investments with an ultimate objective of obtaining capital gains on investee's equity listing or, in some circumstances, prior to listing. It also includes investments in real estate, managed funds, a joint venture, convertible bonds and listed bonds.

For the year ended 31 March 2018, the Group had made other small strategic investments in Mad Runway Holdings Limited and Luxury Choice Investments Limited, Mad Runway Holdings Limited is a new member of the ELLE family, which is dedicated to creating the most authoritative one-stop fashion shopping platform, while Luxury Choice Investments Limited is one of the world's leading fast-growing custom watch brands.



BUSINESS REVIEW AND PROSPECTS

Prospects

Although the Ministry of Commerce of China hinted in the “China’s Foreign Trade Situation Report (Fall 2018)” the downside risks of the world economy to increase next year, protectionism will threaten the steady growth of global trade, and the environment facing China’s foreign trade development is getting more severe, it is expected that segmented industries will maintain steady growth in the short term. According to the latest report from IC Insights, the world’s top 15 semiconductor suppliers will increase their semiconductor sales by 18% year-on-year, of which Samsung’s semiconductor revenue is expected to reach US\$83.258 billion, up 26% as compared with 2017. Looking forward, with China’s smart phone brands entering the international market, China’s semiconductor industry demand is expected to grow steadily. We will continue to be proactive and adopt prudent business management strategies. In addition to the Chinese market, the Group will put in additional resources in Singapore, India and other Asia Pacific regions to meet with their demands. The Group will strive to maintain its leading position in the semiconductor distribution area.

As a distributor with extensive experience in the field of consumer electronics, the Group actively embraces the demand driven by the Internet. According to Frost & Sullivan, the compound annual growth rate (“CAGR”) of the Southeast Asian e-commerce market will reach 29.2% from 2017 to 2021, of which Indonesia is expected to have fastest growth in terms of smartphone users representing a CAGR of 57.7% annual growth in the next five years. As more and more consumers in Southeast Asia prefer online consumption, the Southeast Asian e-commerce market will also usher in the business opportunities and profits that have emerged in the Chinese e-commerce market in the past few years. During the period, the Group has further advanced into the field of e-commerce operation through the brand omni-channel business. Through its cooperation with PT Tokopedia, one of Indonesia’s largest e-commerce platforms, Taiwan’s e-commerce platform and Lazada to provide brand customers with online and offline retail consumers omni-channel one-stop retail generation of operational services. It is believed that the development of E-GoGo will form a strong partnership with the distribution network that the Group has accumulated over the past years, and to open up a wider range of revenue sources by providing more and more comprehensive solutions and services.

The Group is seeing small achievements in terms of the resources devoted in the new Internet social media during past years. Original content is a strong attraction for the audience and advertisers, the Group will actively seek to diversify new media resources, condense creative talents, capture the business opportunities brought about by the booming content marketing market, and to identify more investment incubations or strategic partnerships with other new media teams to form the new media ecosystem and maximize the synergies between 830 Media and 830 Lab. We are confident in the Internet social media business and hope that this business will bring more positive energy as well as creative and original content to audience in Hong Kong and lead the Hong Kong Internet creative industry to a new page.

The Group will continue to adopt an active and prudent development strategy, and by leveraging its leading position, good reputation, experience and competitive advantages over the years to achieve sustainable growth and bring satisfactory returns to shareholders.



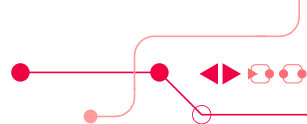
LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 30 September 2018 and 31 March 2018 and the corresponding gearing ratio are shown as follows:

	30 September 2018	31 March 2018
	HK\$'million	HK\$'million
Cash and cash equivalents	64.0	233.9
Equity investments at fair value through profit or loss	–	99.3
Financial assets at fair value through profit or loss included in current assets	159.8	–
	<u>223.8</u>	<u>333.2</u>
Borrowings and finance lease payables	<u>137.2</u>	<u>136.6</u>
Total equity	<u>1,121.1</u>	<u>1,086.7</u>
Total debt to total equity (%)	<u>12%</u>	<u>13%</u>

As at 30 September 2018, the Group had cash and cash equivalents (i.e., cash and bank balances, deposits with other financial institutions and non-pledged time deposits) of HK\$64.0 million (31 March 2018: HK\$233.9 million), while the Group's financial assets at fair value through profit or loss included in current assets amounted to HK\$159.8 million (31 March 2018: equity investments at fair value through profit or loss amounted to HK\$99.3 million). The financial assets at fair value through profit or loss/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 total debt to total equity ratio as at 30 September 2018 was 12% (31 March 2018: 13%), while the Group's total equity as at 30 September 2018 was HK\$1,121.1 million (31 March 2018: HK\$1,086.7 million), with the total balances of cash and cash equivalents, equity investments and financial assets at fair value through profit or loss as at 30 September 2018 of HK\$223.8 million (31 March 2018: HK\$333.2 million).



LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The working capital position of the Group remains healthy. As at 30 September 2018, the liquidity ratio was 216% (31 March 2018: 195%).

	30 September 2018	31 March 2018
	HK\$'million	HK\$'million
Current assets	485.4	584.1
Current liabilities	(225.0)	(298.9)
Net current assets	260.4	285.2
Current assets to current liabilities (%)	216%	195%

Management is confident that the Group follows a prudent policy 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.

SIGNIFICANT INVESTMENTS

As at 30 September 2018, the Group recorded financial assets at fair value through profit or loss of approximately HK\$182.1 million (31 March 2018: equity investments at fair value through profit or loss of approximately HK\$99.3 million and available-for-sale investments of approximately HK\$22.4 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 12 in condensed consolidated statement of financial position. For the performance during the period and future prospects of financial assets at fair value through profit or loss, please refer to the section "Business Review – Venture Capital Business" on page 34 of this interim report.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017: Nil).

EMPLOYEES

As at 30 September 2018, the Group employed a total of approximately 211 (31 March 2018: approximately 187) 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 share option schemes for eligible employees to provide incentive to the participants for their contribution and continuing efforts to promote the interests of the Group. Share options and discretionary bonuses are granted based on the Group's and individual's performances.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, the interests of the directors and chief executive of the Company in the shares and underlying shares 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

Long position in the shares of the Company

(a) Interests in shares of the Company

Name of Director and chief executive	Nature of interest and capacity	Number of ordinary shares of the Company	Approximate percentage of interest in the issued shares
Dr. So Yuk Kwan ("Dr. So")	Corporate interest	314,691,026	37.06%
	Beneficial owner	22,058,400 (Note 1)	
Dr. Lui Ming Wah ("Dr. Lui"), <i>SBS, JP</i>	Beneficial owner	2,620,000	0.29%
	Interest of spouse	(Note 2)	

Notes:

1. These shares include (i) 217,923,160 shares of the Company held by B.K.S. Company Limited ("BKS"); (ii) 96,767,866 shares of the Company held by Jade Concept Limited ("Jade Concept"); and (iii) 22,058,400 shares of the Company held by Dr. So as beneficial owner. Dr. So is deemed to be interested in 314,691,026 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 of Substantial Shareholders" below.
2. This represents the total number of shares held by the spouse of Dr. Lui, *SBS, JP*. By virtue of the SFO, Dr. Lui, *SBS, JP* is deemed to be interested in 2,620,000 shares of the Company.



(b) Interests in underlying shares of associated corporations of the Company

Name of Director and chief executive	Nature of interest and capacity	Name of associated corporations	Number of ordinary shares of associated corporations	Approximate percentage of interest in associated corporations
Mr. So Chi Sun Sunny ("Mr. Sunny So")	Beneficial owner	830 Lab Limited	220,000 (Note)	30.98%

Note:

These underlying shares in 830 Lab Limited ("830 Lab"), a subsidiary of the Company, represent interest in the share options granted to Mr. Sunny So pursuant to the share option scheme adopted by 830 Lab.

The interests of the directors in share options of a subsidiary of the Company is separately disclosed in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 September 2018, none of the directors and chief executive of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company, pursuant to the Model Code.

SHARE OPTION SCHEME

Share option scheme adopted by a subsidiary

As at 30 September 2018, options to subscribe for shares of 830 Lab, a subsidiary of the Company, which were granted to the director of the Company and 830 Lab and employees of 830 Lab were as follows:

Name or category of participant	Number of share options							Date of grant of share options	Exercise period of share options	Exercise price of share options
	Balance at 1 April 2018	Granted during the period	Lapsed during the period	Exercised during the period	Cancelled during the period	Expired during the period	At 30 September 2018			
Director of the Company and 830 Lab										
Mr. Sunny So	220,000	-	-	-	-	-	220,000	5/8/2013	6/9/2015 - 5/8/2023	HK\$8.0
Employees of 830 Lab										
Employees of 830 Lab	15,000	-	-	-	-	-	15,000	5/8/2013	6/9/2015 - 5/8/2023	HK\$8.0
Total	235,000	-	-	-	-	-	235,000			



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" and "Share Option Scheme" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, the following substantial shareholders (other than the directors and chief executive of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

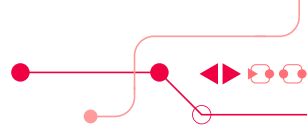
Long position in the shares of the Company

Name of shareholder	Nature of capacity	Number of shares held	Approximate percentage of interest in the issued shares
BKS	Beneficial owner	217,923,160 <i>(Note 1)</i>	23.98%
Jade Concept	Beneficial owner	96,767,866 <i>(Note 2)</i>	10.65%
KOH Kai Boo	Beneficial owner	74,738,000	8.23%
Madam Yeung Kit Ling ("Madam Yeung")	Interest of spouse	336,749,426 <i>(Note 3)</i>	37.06%

Notes:

1. BKS is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 217,923,160 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 96,767,866 shares of the Company held by Jade Concept.
3. As Madam Yeung is the spouse of Dr. So, by virtue of the SFO, she is deemed to be interested in the shares of the Company held by BKS and Jade Concept in which Dr. So has interest and 22,058,400 shares held by Dr. So.

Save as disclosed above, as at 30 September 2018, the Company has not been notified by any person or corporation (other than the directors and chief executive of the Company whose interests are set out above) having interests in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under section 336 of the SFO.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2018, the Company repurchased and cancelled a total of 14,486,000 ordinary shares of the Company at an aggregate consideration of approximately HK\$7,282,640 on The Stock Exchange of Hong Kong Limited, and the details of the repurchases are as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate consideration
		Highest	Lowest	
		(HK\$)	(HK\$)	(HK\$)
25 April 2018	3,708,000	0.500	0.490	1,828,640
26 April 2018	3,500,000	0.520	0.520	1,820,000
27 April 2018	<u>7,278,000</u>	0.500	0.495	<u>3,634,000</u>
	<u>14,486,000</u>			<u>7,282,640</u>

Save of the disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board of Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 2018.



AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely, Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles E. Chapman and Mr. Wong Ka Kit. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed financial reporting process and internal control matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2018.

By Order of the Board
AV CONCEPT HOLDINGS LIMITED
So Yuk Kwan
Chairman

Hong Kong, 28 November 2018

As at the date of this report, the Board comprises three executive Directors, Dr. So Yuk Kwan (Chairman), Mr. So Kevin Chi Heng and Mr. So Chi Sun Sunny and three independent non-executive Directors, Dr. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.