

INTERIM REPORT 2013-2014



INCOME STATEMENT HIGHLIGHTS

	Six Months Ended	
	30/9/2013	30/9/2012
	HK\$ million	HK\$ million
Revenue	<u>1,441.0</u>	<u>1,318.5</u>
Earnings/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(8.7)	30.9
– Venture capital	3.8	(16.5)
– Semiconductor distribution	50.9	18.7
– Consumer electronic product	(7.6)	(8.3)
– Others	0.0	(1.3)
	<u>38.4</u>	<u>23.5</u>
Depreciation, amortisation and non-cash items	<u>(7.0)</u>	<u>(8.2)</u>
Profit/(loss) for the period attributable to:		
Shareholders of the Company	20.0	16.0
Non-controlling interests	0.3	(3.0)
	<u>20.3</u>	<u>13.0</u>
Interim dividend	<u>–</u>	<u>–</u>

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	30/9/2013	31/3/2013
	HK\$ million	HK\$ million
Total assets	1,457.5	1,482.8
Total assets less current liabilities	735.0	674.8
Total equity	709.0	647.2
Bank debts	<u>520.8</u>	<u>536.3</u>
Cash and cash equivalents	51.8	87.0
Equity investments at fair value through profit or loss	<u>186.5</u>	<u>186.2</u>
Cash and cash equivalents and equity investments	<u>238.3</u>	<u>273.2</u>
Total debt to total equity (%)	73%	83%
Current assets to current liabilities (%)	129%	122%
Cash and cash equivalents and equity investments per share (HK\$)	0.35	0.45
Total equity per share (HK\$)	1.04	1.07

UNAUDITED INTERIM RESULTS

The Board of Directors of AV Concept Holdings Limited (the “Company” or “AV Concept”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2013 (Unaudited)	2012 (Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	1,440,950	1,318,512
Cost of sales		(1,355,173)	(1,210,334)
Gross profit		85,777	108,178
Other income and gains	4	6,890	11,324
Selling and distribution costs		(29,025)	(77,229)
Administrative expenses		(66,262)	(72,479)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		5,897	(6,623)
Gain on disposal of an associate		–	50,078
Other expenses		(2,803)	(8,370)
Finance costs	5	(10,602)	(10,524)
Share of profits and losses of: a jointly-controlled entity associates		30,965 (81)	16,463 (5,967)
PROFIT BEFORE TAX	6	20,756	4,851
Income tax	7	(490)	8,183
PROFIT FOR THE PERIOD		20,266	13,034
Attributable to:			
Owners of the Company		20,014	16,048
Non-controlling interests		252	(3,014)
		20,266	13,034
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		3.2 cents	2.6 cents
Diluted		3.1 cents	2.6 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	20,266	13,034
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations and other comprehensive income for the period, net of tax	<u>2,063</u>	<u>(1,725)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>22,329</u>	<u>11,309</u>
Attributable to:		
Owners of the Company	22,077	14,323
Non-controlling interests	<u>252</u>	<u>(3,014)</u>
	<u>22,329</u>	<u>11,309</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2013 (Unaudited)	31 March 2013 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		117,698	119,153
Investment properties		82,313	82,760
Goodwill		40,848	40,848
Other intangible assets		19,239	23,141
Investment in a jointly-controlled entity		126,517	95,610
Investments in associates		3,846	3,927
Convertible bonds		71,262	71,262
Available-for-sale investments		42,421	39,507
Deposits and other receivables		20,758	21,119
Pledged time deposits		906	1,994
		<u>525,808</u>	<u>499,321</u>
Total non-current assets			
CURRENT ASSETS			
Available-for-sale investments		19,825	19,825
Inventories	9	319,123	349,417
Trade receivables	10	258,212	224,528
Due from associates		27,019	24,251
Prepayments, deposits and other receivables		66,174	23,012
Equity investments at fair value through profit or loss	11	186,510	186,229
Tax recoverable		3,123	3,263
Cash and cash equivalents		51,751	86,987
		<u>931,737</u>	<u>917,512</u>
Assets classified as held for sale		-	66,000
		<u>931,737</u>	<u>983,512</u>
Total current assets			
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	12	217,460	288,173
Interest-bearing bank borrowings		502,246	495,542
Finance lease payables		423	429
Tax payable		956	1,206
Financial guarantee obligation		1,410	1,410
		<u>722,495</u>	<u>786,760</u>
Liabilities directly associated with the assets classified as held for sale		-	21,270
		<u>722,495</u>	<u>808,030</u>
Total current liabilities			
NET CURRENT ASSETS		<u>209,242</u>	<u>175,482</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	735,050	674,803
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	17,777	18,362
Finance lease payables	507	731
Deferred tax liabilities	7,771	8,483
Total non-current liabilities	26,055	27,576
Net assets	708,995	647,227
EQUITY		
Issued capital	68,171	60,311
Reserves	661,347	601,660
Proposed final dividend	-	6,031
Equity attributable to equity holders of the Company	729,518	668,002
Non-controlling interests	(20,523)	(20,775)
Total equity	708,995	647,227

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Equity-settled share-based payments reserve (Unaudited)	Available-for-sale investments revaluation reserve (Unaudited)	Asset-revaluation reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits (Unaudited)	Proposed dividend (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2012	60,419	372,379	19,376	1,669	-	-	6,417	179,561	-	639,821	(5,129)	634,692
Total comprehensive income for the period	-	-	-	-	-	-	(1,725)	16,048	-	14,323	(3,014)	11,309
Repurchase of shares	(98)	(376)	98	-	-	-	-	(98)	-	(474)	-	(474)
As at 30 September 2012	<u>60,321</u>	<u>372,003</u>	<u>19,474</u>	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>4,692</u>	<u>195,511</u>	<u>-</u>	<u>653,670</u>	<u>(8,143)</u>	<u>645,527</u>
As at 1 April 2013	60,311	371,962	19,484	2,415	1,847	11,981	9,684	184,287	6,031	668,002	(20,775)	647,227
Total comprehensive income for the period	-	-	-	-	-	-	2,063	20,014	-	22,077	252	22,329
Placing of shares	7,260	35,600	-	-	-	-	-	-	-	42,860	-	42,860
Exercises of shares options	600	2,010	-	-	-	-	-	-	-	2,610	-	2,610
Final 2013 dividend	-	-	-	-	-	-	-	-	(6,031)	(6,031)	-	(6,031)
As at 30 September 2013	<u>68,171</u>	<u>409,572</u>	<u>19,484</u>	<u>2,415</u>	<u>1,847</u>	<u>11,981</u>	<u>11,747</u>	<u>204,301</u>	<u>-</u>	<u>729,518</u>	<u>(20,523)</u>	<u>708,995</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(75,642)	(85,246)
Net cash (outflow)/inflow from investment activities	(4,136)	63,532
Net cash inflow/(outflow) from financing activities	44,542	(47,989)
Net decrease in cash and cash equivalents	(35,236)	(69,703)
Cash and cash equivalents at beginning of period	<u>86,987</u>	<u>166,467</u>
Cash and cash equivalents at end of period	<u>51,751</u>	<u>96,764</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>51,751</u>	<u>96,764</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time for the current period’s unaudited condensed consolidated interim financial statements.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 - 2011 Cycle
HKFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interest in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures

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

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION

As a result of a series of significant investment transactions entered into during the period, the Group has reassessed the operating performance which resulted in one new operating segment. Prior period comparative segment information has been restated accordingly. The comparative segment information on segment assets and liabilities has been restated to incorporate the changes in the presentation of operating segments disclosure in accordance with HKAS 1 “Presentation of Financial Statements”.

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 segment engages in the design, development and sale of electronic products;
- (c) the venture capital segment engages in the investments in listed/unlisted equity investments with an ultimate objective of capital gain on investee’s equity listing or, in some circumstances, prior to listing. It also includes investments in real estates or managed funds; and
- (d) the others segment mainly comprises the Group’s trading of Light-emitting Diode (“LED”) business.

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 before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, dividend income from listed investments, management fee income, rental income, share of profits and losses of associates and a jointly-controlled entity, fair value gains/(losses) on equity investments at fair value through profit or loss, gain on disposal of items of property, plant and equipment, gains on disposal of associates, changes in fair value of investment properties, finance costs and unallocated expenses are excluded from such measurement.

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Period ended 30 September 2013						
Segment revenue:						
Sales to external customers	1,363,052	77,898	-	-	-	1,440,950
Intersegment sales	2	-	-	-	(2)	-
Total	<u>1,363,054</u>	<u>77,898</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>1,440,950</u>
Segment results	14,194	(10,260)	3,255	-	-	7,189
<i>Reconciliation:</i>						
Bank interest income						928
Dividend income from listed investments						237
Rental income						869
Share of profit of a jointly-controlled entity						30,965
Share of profits and losses of associates						(81)
Fair value gains on equity investments at fair value through profit or loss, net						64
Unallocated expenses						(8,813)
Finance costs						<u>(10,602)</u>
Profit before tax						<u>20,756</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Period ended 30 September 2012						
Segment revenue:						
Sales to external customers	1,158,284	157,190	-	3,038	-	1,318,512
Intersegment sales	70	-	-	-	(70)	-
Total	1,158,354	157,190	-	3,038	(70)	1,318,512
Segment results	(2,141)	(8,088)	(17,265)	(1,345)	-	(28,839)
<i>Reconciliation:</i>						
Bank interest income						1,987
Management fee income from associates						2,787
Rental income						412
Share of profit of a jointly-controlled entity						16,463
Share of profits and losses of associates						(5,967)
Gain on disposal of items of property, plant and equipment						20
Gain on disposal of associates						50,078
Unallocated expenses						(21,566)
Finance costs						(10,524)
Profit before tax						4,851

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Period ended 30 September 2013					
Segment assets	953,052	113,237	399,541	-	1,465,830
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(322,033)
Investments in associates	1,581	2,265	-	-	3,846
Investment in a jointly-controlled entity	126,517	-	-	-	126,517
Corporate and other unallocated assets					183,385
Total assets					<u>1,457,545</u>
Segment liabilities	212,722	200,349	136,560	-	549,631
<i>Reconciliation:</i>					
Elimination of intersegment payables					(322,033)
Corporate and other unallocated liabilities					520,952
Total liabilities					<u>748,550</u>
Year ended 31 March 2013					
Segment assets	938,893	117,909	383,787	16,140	1,456,729
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(299,749)
Investments in associates	1,581	2,346	-	-	3,927
Investment in a jointly-controlled entity	95,610	-	-	-	95,610
Assets classified as held for sale	-	-	66,000	-	66,000
Corporate and other unallocated assets					160,316
Total assets					<u>1,482,833</u>
Segment liabilities	231,578	193,155	135,546	24,875	585,154
<i>Reconciliation:</i>					
Elimination of intersegment payables					(299,749)
Liabilities classified as held for sale	-	-	21,270	-	21,270
Corporate and other unallocated liabilities					528,931
Total liabilities					<u>835,606</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

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

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Geographical segment:		
Hong Kong	414,531	440,188
Singapore	888,357	704,794
Korea	85,926	89,245
United States of America	40,151	63,815
Other locations	11,985	20,470
	<u>1,440,950</u>	<u>1,318,512</u>

4. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	928	1,987
Dividend income from listed investments	598	724
Interest income from debt securities	733	791
Rental income	956	1,458
Management fee income from associates	-	2,787
Gain on disposal of items of property, plant and equipment	-	20
Others	3,675	3,557
	<u>6,890</u>	<u>11,324</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and mortgage loans	10,574	10,496
Interest on finance leases	28	28
	<u>10,602</u>	<u>10,524</u>

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,153	4,232
Amortisation of other intangible assets	3,901	3,955
Impairment of available-for-sale investments	-	3,893
Impairment of goodwill	-	684
Provision for amounts due from former associates	-	1,416
Gain on disposal of items of property, plant and equipment	-	20
Exchange loss/(gain), net	<u>2,569</u>	<u>(2,445)</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2013. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing laws, interpretations and practices in respect thereof.

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision/(overprovision) for the period	1,202	(7,461)
Deferred	<u>(712)</u>	<u>(722)</u>
Total tax charge/(credit) for the period	<u>490</u>	<u>(8,183)</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in basic and diluted earnings per share calculation	<u>20,014</u>	<u>16,048</u>
	Number of Shares	
	2013	2012
	30 September	30 September
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	624,566,661	604,095,826
Effect of dilution-weighted average number of ordinary shares:		
Share options	<u>2,522,034</u>	-
Total	<u>627,088,695</u>	<u>604,095,826</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INVENTORIES

	30 September 2013 (Unaudited)	31 March 2013 (Audited)
	HK\$'000	HK\$'000
Finished goods	<u>319,123</u>	<u>349,417</u>

10. TRADE RECEIVABLES

	30 September 2013 (Unaudited)	31 March 2013 (Audited)
	HK\$'000	HK\$'000
Trade receivables	261,242	228,236
Impairment	(3,030)	(3,708)
	<u>258,212</u>	<u>224,528</u>

The Group's trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to 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 Group has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 30 September 2013, based on invoice due date and net of provisions, is as follows:

	30 September 2013 (Unaudited)	31 March 2013 (Audited)
	HK\$'000	HK\$'000
Current	139,192	153,208
1 to 30 days	86,297	44,049
31 to 60 days	9,920	12,793
Over 60 days	25,833	18,186
	<u>261,242</u>	<u>228,236</u>

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Investment in an associate (<i>Note</i>)	<u>125,438</u>	<u>117,621</u>
Managed funds, outside Hong Kong, at market value	31,798	34,281
Listed equity investments, at market value:		
Hong Kong	7,667	12,203
Debt securities, at market value	<u>21,607</u>	<u>22,124</u>
	<u>61,072</u>	<u>68,608</u>
	<u>186,510</u>	<u>186,229</u>

The above equity investments with a carrying amount of HK\$61,072,000 (31 March 2013: HK\$68,608,000) at 30 September 2013 were classified as held for trading.

At 30 September 2013, equity investments amounting to HK\$45,307,000 (31 March 2013: HK\$51,024,000) were pledged to secure certain of the Group's interest-bearing bank borrowings.

Note:

During the year ended 31 March 2013, the Group (through a wholly-owned subsidiary, a venture capital organisation) acquired 35.94% equity interest in Integrated Energy Limited (formerly known as Nitgen&Company Co., Ltd.) ("Nitgen"), a limited liability company incorporated in Korea.

The investment in Nitgen is classified as an investment in an associate as the Group exercises significant influence over financial and operating policies of Nitgen. As this associate is held as part of venture capital organisation's investment portfolio, it is carried in the consolidated statement of financial position at fair value. This treatment is permitted by HKAS 28 "Investment in Associates" which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit and loss and accounted for in accordance with HKAS 39, with changes in fair value recognised in the consolidated income statement in the period of change.

NOTED TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

An aged analysis of the trade payables, deposits received and accrued expenses as at 30 September 2013, based on invoice due date, is as follows:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade payables:		
Current	89,340	166,054
1 to 30 days	62,527	32,924
31 to 60 days	27,664	574
Over 60 days	11,429	1,855
	190,960	201,407
Deposits received	9,446	9,203
Other deposits received	–	56,800
Accrued expenses	17,054	20,763
	217,460	288,173

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

13. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2013, Signeo Lifestyle Limited (“Signeo Lifestyle”) allotted 999,999 shares to its shareholders and the Group’s equity interest in Signeo Lifestyle was diluted from 100% to 32% since then. As a result, the Group’s investment in Signeo Lifestyle was reclassified from a subsidiary to an associate.

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2013, with the comparative figures for the corresponding six months period of 2012.

	Six Months Ended	
	30/9/2013	30/9/2012
	HK\$ million	HK\$ million
Revenue		
Semiconductor distribution	1,363.1	1,158.3
Consumer electronic product	77.9	157.2
Others	0.0	3.0
	<u>1,441.0</u>	<u>1,318.5</u>
Earnings/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(8.7)	30.9
Venture capital	3.8	(16.5)
Semiconductor distribution	50.9	18.7
Consumer electronic product	(7.6)	(8.3)
Others	0.0	(1.3)
	<u>38.4</u>	<u>23.5</u>
Depreciation, amortisation and non-cash items		
Corporate	(0.1)	(0.1)
Venture capital	(0.5)	(1.5)
Semiconductor distribution	(3.9)	(4.4)
Consumer electronic product	(2.5)	(2.2)
	<u>(7.0)</u>	<u>(8.2)</u>
Earnings before interest and tax	31.4	15.3
Interest expenses	(10.6)	(10.5)
Profit before tax	20.8	4.8
Tax	(0.5)	8.2
Profit for the period	<u>20.3</u>	<u>13.0</u>

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

Regarding the business performance of the Group during the reviewing period for the six months ended 30 September, 2013, being driven by the brisk growth of China's smartphone market, the strong performance in semiconductor distribution business has become the key growth driver for the Group. During the reviewing period, the Group recorded a turnover of HK\$1,441,000,000, representing a growth of 9.3% (2012: HK\$1,318,500,000). As a result of a transition change of product mix of lower portion of higher-gross-profit-margin consumer electronics products, during the reviewing period, the Group recorded a gross profit of HK\$85,800,000 (2012: HK\$108,200,000). EBITDA of the group substantially rose by 63.4% to HK\$38,400,000 (2012: HK\$23,500,000). The net profit rose by 55.5% to HK\$20,266,000 (2012: HK\$13,000,000). During the reviewing period, the financial position of the Group has also been strengthened as follows: total debt to total equity ratio dropped from 83% to 73%; and current assets to current liabilities ratio rose from 122% to 129%.

Semiconductor Distribution Business

During the reviewing period, the semiconductor business of the Group recorded a revenue of HK\$1,363,100,000, representing a growth of 17.7% (2012: HK\$1,158,400,000); EBITDA significantly increased by 179.2% to HK\$50,900,000 (2012: HK\$18,700,000). In accordance with current accounting policies, turnover of the Group's jointly-controlled entity, AVP Electronics Limited ("AVPEL") has not been consolidated in the Group's financial statements since the reviewing period of last year, but AVPEL still recorded a significant revenue of HK\$1,932,800,000, representing a growth of 53.6% (2012: HK\$1,258,500,000) during the reviewing period that mainly brought forth by the semiconductor distribution of Samsung Electronics Co., Ltd. ("Samsung Electronics") in China. Of which, the revenue growth from the exclusive distribution of Samsung CMOS images sensors was the most significant. While the growth in other Samsung Electronics products under distribution including multi-chip packages and ARM processors was also substantial.

Under the exponential growth of China's smartphone market, the semiconductor distribution business picked up the overall performance of the Group. According to IDC's China Quarterly Mobile Phone Tracker, 2Q2013, China's total mobile phone shipments have reached 110 million sets in Q2 2013. Smartphone shipments, a subset of mobile phone shipments, reached 86 million sets, growing by 10% on a quarterly basis. Thanks to the foresight of management, the entry into the mid to low-end smartphone markets for the semiconductor distribution business has become a key growth driver due to the sharp increase in shipments of mid to low-end smartphones in China. Mainland China smartphone manufacturers strengthened their competitive edge under fierce competition. Nowadays, Chinese consumers tend to purchase local smartphone brands with similar performance of international tier-1 smartphone brands at a lower average selling price (ASP), which has made mainland smartphones below RMB2,000 ASP an important force of growth in the China's smartphone market.

BUSINESS REVIEW AND PROSPECTS

Consumer Electronic Product Business

During the reviewing period, EBITDA loss of consumer electronic product business narrowed to HK\$7,600,000 (2012: loss HK\$8,300,000); revenue decreased by 50.4% to HK\$77,900,000 (2012: HK\$157,100,000).

With a view to gearing up efforts in promoting up-and-coming latest headphone series of SOUL® in the second half of FY2013, in the reviewing period, the Group therefore focused on selling old headphone models that led to the drop of revenue of consumer electronic product business. Since the beginning of 2013, the positioning of SOUL® electronic products has focused on promoting “Active Lifestyle”, a modern life element that emphasizes on infusing music into sport and our life eventually in order to diversify the product range of SOUL®. As short as two years, the brand awareness of SOUL® has swiped across the world and SOUL® has achieved a forefront position in the premium headphone market in Europe, United States and Asia regions with a strong brand’s foothold in the world. To further tap into the Greater China market, in May 2013, the Group appointed international megastar, PSY (Park Jae-Sang), as the exclusive global brand ambassador to hit the market with his high recognition in the region.

Venture Capital Business

In the reviewing period, the venture capital business of the Group recorded a turnaround in positive EBITDA of HK\$3,800,000 compared to the same period last year (2012: loss HK\$16,500,000). As of 30 September 2013, it was mainly attributable to appreciation of investment value of the 35.9% stake in Integrated Energy Limited (Formerly Nitgen&Company Co., Ltd.). Various funds, equity investments, and debt securities were held at fair market value of HK\$186.5 million in the Group. Although global economy is volatile with uncertainty ahead, the Group will strive for satisfactory results for its venture capital business.

Others

On 31 July 2013, the Group attracted 7 well-known veteran investors in information technology and multimedia sectors such as Mr. Francis Leung Pak To, Mr. David Zhe Wei and Argyle Street Management Limited (ASML) etc. by placing approximately 10.7% of issued share capital of the Group as enlarged at that time at HK\$0.6 per share. In addition to providing capital for development, leveraging on the extensive experience of the strategic investors in information technology sector, the Group will be able to expand mobile gaming business to Greater China and other Asian markets.

BUSINESS REVIEW AND PROSPECTS

OUTLOOK

The success recorded in the semiconductor distribution business has provided the Group a strategic plan for riding on the smartphone boom in China and injected the Group with confidence to further expand the consumer electronic business, mobile game development and mobile apps development for game publishing in future. With the support of the semiconductor distribution business, the Group is confident in both of its investments in Me2on Co., Ltd. (“Me2on”), a Korea mobile and Internet games development and publication company, and Koocell Limited (“Koocell”), an innovative mobile game developer and a mobile games publishing platform committed in creating most sought-after mobile apps and games in town. To leverage on the market status and excellent credibility earned for more than two decades from the semiconductor distribution business in China, as well as the close cooperation relationships with smartphone manufacturers, the Group has been planning to pre-install the mobile games publishing app “Free4u” – Koocell in the smartphones manufactured by semiconductor distribution business clients. In turn, to publish Me2on’s mobile games and other games developed by other game developers onto Koocell’s game publishing platform in order to take advantage of the widespread growth of Koocell app pre-installed in the fast-selling mid to low-end smartphones. This strategy will create a unique “AV Concept Smartphone Eco-system”. In October, the mobile application apps developed by mobile apps developer, Koocell which was acquired by the Group earlier with 51% stake, has significantly achieved total 500,000 downloads mainly from Hong Kong and Taiwan regions within 3-month. The most welcomed app, “Free4u” is a app for savvy customers to take, shop and share plenty of unbeatable local daily deals on restaurants, cinemas, supermarkets, shows, bookstores, local stores, games or any type of entertainment.

To infuse SOUL® headphone products with “Active Lifestyle” element, in the second half of FY2013, the Group will focus on developing functional headphones, namely two key series, “Combat” and “Performance”. The former series is suitable for vigorous sports such as running, boxing and cycling etc; while the later series is suitable for daily use for sporty users. We will also expand the sales network of headphone to online sales platform in China and we believe online stores would become one of the major sales channels of our products. Two latest headphone models named by PSY, namely, LOOP, an ultra-light over-ear headphone series, and MINI, an in-ear headphone series with powerful acoustics effects are both the highlights in the second half year. In collaboration with PSY to seize the China market, the debut cooperation between SOUL® and PSY that unveiled the promotion campaign in the Greater China was the organization of “PSY Needs a SOUL® Dancer” global competition, through which to select and take new dancing stars to stage with “Gangnam Style” megastar for the filming of the latest SOUL® TV commercial in Hong Kong. In the second half year, the promotion of SOUL® in the China market will be kicked off in Beijing and Shanghai.

LIQUIDITY AND FINANCIAL RESOURCES

The net debt position as at 30 September 2013 and 31 March 2013 and the corresponding gearing ratio are shown as follows:

	30/9/2013	31/3/2013
	HK\$'million	HK\$'million
Bank debts	<u>520.8</u>	<u>536.3</u>
Cash and cash equivalents	51.8	87.0
Equity investments at fair value through profit or loss	<u>186.5</u>	<u>186.2</u>
Cash and cash equivalents and equity investments	<u>238.3</u>	<u>273.2</u>
Total equity	<u>709.0</u>	<u>647.2</u>
Total debt to total equity	<u>73%</u>	<u>83%</u>

As at 30 September 2013, the Group had a balance of cash and cash equivalents (i.e. cash and bank balances and time deposits) of HK\$51.8 million (31 March 2013: HK\$87.0 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$186.5 million (31 March 2013: HK\$186.2 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 30 September 2013 was 73% (31 March 2013: 83%), while the Group's total equity was HK\$709.0 million (31 March 2013: HK\$647.2 million).

Currently, the Group's bank debts are mainly on a floating rate basis and are denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business, and accordingly, the Group does not have any significant foreign exchange exposure.

The working capital position of the Group remains healthy. As at 30 September 2013, the liquidity ratio (as determined with reference to the ratio of current assets to current liabilities) was 129% (31 March 2013: 122%).

LIQUIDITY AND FINANCIAL RESOURCES (continued)

	30/9/2013	31/3/2013
	HK\$'million	HK\$'million
Current assets	931.7	983.5
Current liabilities	(722.5)	(808.0)
Net current assets	<u>209.2</u>	<u>175.5</u>
Current assets to current liabilities (%)	<u>129%</u>	<u>122%</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group employed a total of approximately 312 (31 March 2013: approximately 379) full time employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. The remuneration policy and package are determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates a share option scheme for eligible employees to provide incentive to the participants for their contribution, and continuing efforts to promote the interests of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

Long position in the shares of the Company

Name of director	Capacity	Number of shares and nature of interests			Approximate percentage of shareholding
		Personal interests	Corporate interests	Total	
Dr. Hon. So Yuk Kwan	Interest of controlled corporations	-	271,492,189 (Note)	271,492,189	39.83%
Dr. Hon. So Yuk Kwan	Beneficial owner	614,000	-	614,000	0.09%
Mr. So Chi On	Beneficial owner	7,000,000	-	7,000,000	1.03%

Note:

This represents the total number of shares held by B.K.S. Company Limited ("BKS") and Jade Concept Limited ("Jade Concept") respectively. Dr. Hon. So Yuk Kwan is deemed to be interested in 271,492,189 shares of the Company by virtue of his interests in BKS and Jade Concept, the particulars are more fully described in the section headed "Substantial Shareholders' Interest and Short Positions in Shares, Underlying Shares and Debentures" below.

Long position in the underlying shares of the Company

Name of director	Capacity	Number of underlying shares and nature of interests			Approximate percentage of shareholding
		Personal interests	Corporate interests	Total	
Dr. Hon. So Yuk Kwan	Beneficial owner	600,000 (Note)	-	600,000	0.09%
Mr. Ho Choi Yan Christopher	Beneficial owner	3,000,000 (Note)	-	3,000,000	0.44%

Note:

These underlying shares represent interests in the share options granted to the respective directors of the Company pursuant to the share option scheme adopted by the Company.

Save as disclosed above, as at 30 September 2013, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Directors' right to acquire shares and debentures of the Company

Pursuant to the share option scheme adopted by the Company, directors were granted share options to subscribe for shares of the Company, details of which as at 30 September 2013 were as follows:

Name of Director	Number of share options					Outstanding as at 30 September 2013	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	Balance at 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Dr. Hon. So Yuk Kwan	600,000	-	-	-	-	600,000	13/3/2013- 12/3/2018	13/3/2013	HK\$0.435
Mr. So Chi On	6,000,000	-	6,000,000	-	-	-	13/3/2013- 12/3/2018	13/3/2013	HK\$0.435
Mr. Ho Choi Yan Christopher	3,000,000	-	-	-	-	3,000,000	13/3/2013- 12/3/2018	13/3/2013	HK\$0.435
Total	<u>9,600,000</u>	<u>-</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>3,600,000</u>			

Other than disclosed above, as at 30 September 2013, none of the directors or their associates were granted share options to subscribe for shares of the Company, nor had exercised such rights under the new share option scheme.

SHARE OPTION SCHEME

As at 30 September 2013, options to subscribe for shares of the Company which were granted to the directors and employee of the Group were as follows:

	Number of share options					Outstanding as at 30 September 2013	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	Balance at 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors	9,600,000	-	6,000,000	-	-	3,600,000	13/3/2013- 12/3/2018	13/3/2013	HK\$0.435
Employee	6,000,000	-	-	-	-	6,000,000	13/3/2013- 12/3/2018	13/3/2013	HK\$0.435
Total	<u>15,600,000</u>	<u>-</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>9,600,000</u>			

Note:

Details of the options granted to the directors are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, the interests and short positions of the following persons, other than the directors and the chief executive of the Company, in the shares and underlying shares of the Company which have been disclosed to the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the shares of the Company

Name of Shareholder	Name of Capacity	Number of shares held	Approximate percentage of issued share capital as at 30 September 2013
B.K.S. Company Limited ("BKS")	Beneficial owner	190,852,300 (note 1)	28%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 (note 2)	11.83%
Yeung Kit Ling ("Madam Yeung")	Interest of spouse	272,106,189 (note 3)	39.92%
Och Daniel Saul	Interest of controlled corporations	54,134,000 (note 4)	7.94%

Notes:

- BKS is beneficially owned by Dr. Hon. So Yuk Kwan ("Dr. So"). By virtue of the SFO, Dr. So is deemed to be interested in 190,852,300 shares of the Company held by BKS.
- Jade Concept is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 80,639,889 shares of the Company held by Jade Concept.
- As Madam Yeung is the spouse of Dr. So, by virtue of the SFO, she is deemed to be interested in the shares of BKS and Jade Concept of the Company in which Dr. So has interested and 614,000 shares of the Company held by Dr. So directly.
- Based on the individual substantial shareholder notice of Daniel Saul Och filed on 19 June 2013: (1) of these shares of the Company: (a) 14,614,000 shares are held by OZ Asia Master Fund, Ltd.; (b) 1,146,000 shares are held by Gordel Holdings Ltd.; (c) 33,688,000 shares are held by OZ Master Fund, Ltd.; (d) 906,000 shares are held by OZ Global Special Investments Master Fund, LP; (e) 26,000 shares are held by OZ Enhanced Master Fund, Ltd.; (f) 3,754,000 shares are held by OZ Management II LP; (g) 1,906,000 shares are held by OZ Eureka Fund, L.P.; (h) 940,000 shares are held by OZ ELS Master Fund, Ltd. and (i) 908,000 shares are held by Goldman Sachs Profit Sharing Master Trust; (2) OZ Management II L.P. has 100% control in each of OZ ELS Master Fund, Ltd. and Goldman Sachs Profit Sharing Master Trust; (3) OZ Management, L.P. has 100% control in each of OZ Asia Master Fund, Ltd.; Gordel Holdings Ltd.; OZ Master Fund, Ltd.; OZ Global Special Investments Master Fund, LP; OZ Enhanced Master Fund, Ltd.; OZ Management II LP and OZ Eureka Fund, L.P.; (4) Och-Ziff Capital Management Group LLC has 100% control in Och-Ziff Holding Corporation, which in turn has 100% control in OZ Management, LP; and (5) Daniel Saul Och has 67.10% control in Och-Ziff Capital Management Group LLC and accordingly, is interested or deemed to be interested in the 54,134,000 shares of the Company by virtue of the SFO.

Long position in the underlying shares of the Company

Name	Capacity	Number of underlying shares held	Approximate percentage of issued share capital as at 30 September 2013
Madam Yeung	Interest of spouse	600,000 <i>(note)</i>	0.09%

Note:

Since Madam Yeung is the spouse of Dr. So, by virtue of the SFO, she is deemed to be interested in all the underlying shares of the Company in which Dr. So is interested.

Save as disclosed above, as at 30 September 2013, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the details of issue of the shares as follows:

Date	Nature of Transaction	Number of Shares Issued	Price per Share	Aggregate Consideration
31 July 2013	Placing of shares	72,600,000	HK\$0.60	HK\$43.6 million

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board of Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 September 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2013.

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 has reviewed with the management and the Company’s auditor the accounting principles and practices adopted by the Group and discussed auditing, 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 2013.

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

Hong Kong, 25 November 2013

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