



## STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Six months ended	
	30 September 2019	30 September 2018
	HK\$'million	HK\$'million
Revenue		
– Semiconductor distribution	677.2	926.6
– Consumer electronic product and brand omni-channel business	46.8	47.4
– Others	1.7	4.4
	<u>725.7</u>	<u>978.4</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(13.3)	(12.2)
– Venture capital	(1.3)	(5.9)
– Semiconductor distribution	81.5	90.1
– Consumer electronic product and brand omni-channel business	(9.3)	(4.6)
– Others	(4.5)	(5.4)
	<u>53.1</u>	<u>62.0</u>
Depreciation and amortisation	<u>(2.6)</u>	<u>(1.9)</u>
Profit for the period attributable to:		
Owners of the Company	52.3	60.7
Non-controlling interests	(1.7)	(0.4)
	<u>50.6</u>	<u>60.3</u>
Interim dividend	<u>–</u>	<u>–</u>

## STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	<b>30 September 2019</b>	31 March 2019
	<b>HK\$'million</b>	HK\$'million
Total assets	<b>1,338.0</b>	1,317.0
Total assets less current liabilities	<b>1,161.7</b>	1,132.5
Total equity	<b>1,145.6</b>	1,115.6
Borrowings, lease liabilities and finance lease payables	<b>71.0</b>	76.5
Cash and cash equivalents	<b>93.8</b>	106.0
Financial assets at fair value through profit or loss included in current assets	<b>100.2</b>	117.6
	<b>194.0</b>	223.6
Total debt to total equity (%)	<b>6%</b>	7%
Current assets to current liabilities (%)	<b>210%</b>	215%
Cash and cash equivalents, and financial assets at fair value through profit or loss per share (HK\$)	<b>0.21</b>	0.25
Total equity per share (HK\$)	<b>1.26</b>	1.23

## 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 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 September 2019 (unaudited)</b>	<b>30 September 2018 (unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	4	<b>725,723</b>	978,399
Cost of sales		<b>(708,066)</b>	(959,775)
Gross profit		<b>17,657</b>	18,624
Other income and gains	4	<b>5,775</b>	6,950
Selling and distribution expenses		<b>(7,503)</b>	(8,544)
Administrative expenses		<b>(40,443)</b>	(38,501)
Fair value losses on financial assets at fair value through profit or loss, net		<b>(1,199)</b>	(5,589)
Other expenses, net		<b>(1,487)</b>	(2,852)
Finance costs	5	<b>(2,539)</b>	(3,605)
Share of profits and losses of:			
Joint ventures		<b>80,657</b>	94,049
Associates		<b>(187)</b>	–
<b>Profit before tax</b>	6	<b>50,731</b>	60,532
Income tax	7	<b>(156)</b>	(209)
<b>Profit for the period</b>		<b>50,575</b>	60,323

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended	
		30 September 2019 (unaudited)	30 September 2018 (unaudited)
	Note	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		52,293	60,690
Non-controlling interests		<u>(1,718)</u>	<u>(367)</u>
		<u>50,575</u>	<u>60,323</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	9		
Basic		<u>HK\$0.058</u>	<u>HK\$0.067</u>
Diluted		<u>HK\$0.058</u>	<u>HK\$0.067</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended	
	30 September 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>50,575</b>	<b>60,323</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,424)	(4,146)
<b>OTHER COMPREHENSIVE LOSS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(2,424)</b>	<b>(4,146)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>48,151</b>	<b>56,177</b>
Attributable to:		
Owners of the Company	49,869	56,544
Non-controlling interests	(1,718)	(367)
	<b>48,151</b>	<b>56,177</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

		30 September 2019 (unaudited)	31 March 2019 (audited)
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	37,095	39,594
Investment properties		125,373	125,798
Right-of-use assets		5,019	–
Other intangible assets		4,060	4,234
Investments in joint ventures		768,817	723,034
Investments in associates		1,511	1,698
Financial assets at fair value through profit or loss	11	23,110	23,110
Deposits		2,169	2,178
		<u>967,154</u>	<u>919,646</u>
Total non-current assets		967,154	919,646
<b>CURRENT ASSETS</b>			
Inventories		58,662	62,219
Trade receivables	12	83,958	70,937
Due from associates		115	115
Prepayments, deposits and other receivables		34,106	40,462
Financial assets at fair value through profit or loss	11	100,168	117,648
Tax recoverable		2	2
Cash and cash equivalents		93,800	105,989
		<u>370,811</u>	<u>397,372</u>
Total current assets		370,811	397,372
<b>CURRENT LIABILITIES</b>			
Trade payables, deposits received and accrued expenses	13	50,350	48,159
Contract liabilities		10,570	16,298
Lease liabilities		1,683	–
Interest-bearing bank borrowings		67,362	72,366
Finance lease payables		–	1,439
Tax payable		124	126
Financial guarantee obligation		46,160	46,160
		<u>176,249</u>	<u>184,548</u>
Total current liabilities		176,249	184,548
		<u>194,562</u>	<u>212,824</u>
<b>NET CURRENT ASSETS</b>		194,562	212,824
		<u>1,161,716</u>	<u>1,132,470</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,161,716	1,132,470

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

		30 September 2019 (unaudited)	31 March 2019 (audited)
	<i>Note</i>	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		1,978	–
Finance lease payables		–	2,720
Deferred tax liabilities		14,167	14,157
		<u>16,145</u>	<u>16,877</u>
Total non-current liabilities		<u>16,145</u>	16,877
Net assets		<u>1,145,571</u>	<u>1,115,593</u>
<b>EQUITY</b>			
Issued capital	14	90,866	90,866
Reserves		1,042,311	1,010,615
		<u>1,133,177</u>	1,101,481
Equity attributable to owners of the Company		<u>1,133,177</u>	1,101,481
Non-controlling interests		12,394	14,112
		<u>1,145,571</u>	<u>1,115,593</u>
Total equity		<u>1,145,571</u>	<u>1,115,593</u>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company										
	Issued capital	Share premium account	Capital reserve	Other reserve	Available-for-sale investments revaluation reserve	Asset revaluation 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
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 14)	(1,449)	(5,634)	-	-	-	-	-	-	(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
At 1 April 2019 (audited)	90,866	429,719	19,484	(38,483)	-	38,765	2,171	558,959	1,101,481	14,112	1,115,593
Profit/(loss) for the period	-	-	-	-	-	-	-	52,293	52,293	(1,718)	50,575
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,424)	-	(2,424)	-	(2,424)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(2,424)	52,293	49,869	(1,718)	48,151
Dividend paid (Note 8)	-	-	-	-	-	-	-	(18,173)	(18,173)	-	(18,173)
At 30 September 2019 (unaudited)	90,866	429,719	19,484	(38,483)	-	38,765	(253)	593,079	1,133,177	12,394	1,145,571

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	<b>Six months ended</b>	
	<b>30 September 2019 (unaudited)</b>	30 September 2018 (unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>OPERATING ACTIVITIES</b>		
Purchases of financial assets at fair value through profit or loss	(21,196)	(136,078)
Proceeds from disposal of financial assets at fair value through profit or loss	37,477	69,994
Dividend income received from a joint venture	34,965	34,965
Other operating cash flows, net	(35,207)	(111,048)
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>16,039</b>	(142,167)
<b>INVESTING ACTIVITIES</b>		
Bank interest received	185	9
Purchases of items of property, plant and equipment	(4,498)	(1,224)
Other investing cash flows, net	2,332	582
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(1,981)</b>	(633)
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	–	(45,810)
Net (decrease)/increase in import and trust receipt loans	(3,550)	46,061
Repurchase of shares	–	(7,283)
Dividend paid	(18,173)	(18,173)
Other financing cash flows, net	(4,047)	(573)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(25,770)</b>	(25,778)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,712)</b>	(168,578)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>105,989</b>	233,887
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET</b>	<b>(477)</b>	(1,293)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>93,800</b>	64,016

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

## 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 and 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 preparation of the interim condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA effective as of 1 April 2019.

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of these new and revised HKFRSs has had no material impact on the interim condensed consolidated financial statements.

### HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases* (“HKAS 17”), HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) – Int 15 *Operating Leases – Incentives* and HK(SIC) – Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 April 2019. Under this method, the comparative information for the year ended 31 March 2019 was not restated and continues to be reported under HKAS 17.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

### **HKFRS 16 Leases (Continued)**

#### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### **As a lessee – Leases previously classified as operating leases**

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., office equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

#### **HKFRS 16 Leases (Continued)**

##### **As a lessee – Leases previously classified as operating leases (Continued)**

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position. This includes the lease assets recognised previously under finance leases of HK\$5,285,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Used a single discount rate to a portfolio of leases with reasonably similar characteristic.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

#### HKFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) (Unaudited)
	HK\$'000
<b>Assets</b>	
Increase in right-of-use assets	6,028
Decrease in property, plant and equipment	(5,285)
Decrease in prepayments, deposits and other receivables	(659)
	<hr/>
Increase in total assets	84
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<b>Liabilities</b>	
Increase in lease liabilities	4,243
Decrease in finance lease payables	(4,159)
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Increase in total liabilities	84
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The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	(Unaudited)
	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,871
Weighted average incremental borrowing rate as at 1 April 2019	4.74%
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Discounted operating lease commitments as at 1 April 2019	1,869
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(1,785)
Add: Commitments relating to leases previously classified as finance leases	4,159
	<hr/>
Lease liabilities as at 1 April 2019	4,243
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

### **HKFRS 16 Leases (Continued)**

#### **Summary of new accounting policies**

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

#### **Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

#### **Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 3. OPERATING 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.

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/loss before tax except that bank interest income, rental income, share of profits and losses of joint ventures and associates, impairment of other receivables, finance costs and unallocated expenses are excluded from such measurement.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 3. OPERATING SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported below.

Six months ended 30 September 2019 (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	677,230	46,829	-	1,664	725,723
Other revenue	-	-	1,089	-	1,089
Total	677,230	46,829	1,089	1,664	726,812
Reconciliation:					
Less: Other revenue (note)					(1,089)
Revenue as presented in the condensed consolidated statement of profit or loss					725,723
Segment results	(452)	(9,811)	(1,850)	(4,611)	(16,724)
Reconciliation:					
Bank interest income					185
Rental income					2,609
Share of profits of joint ventures					80,657
Share of losses of associates					(187)
Unallocated expenses					(13,270)
Finance costs					(2,539)
Profit before tax					50,731

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 3. OPERATING SEGMENT INFORMATION (Continued)

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 losses	–	–	(3,669)	–	(3,669)
Total	926,621	47,396	(3,669)	4,382	974,730
Reconciliation:					
Add: Other losses (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

Note: Other revenue/(losses) in segment revenue was classified as other income and gains and fair value losses 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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 3. OPERATING 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
<b>Period ended 30 September 2019 (unaudited)</b>					
<b>Segment assets</b>	663,811	132,359	134,868	4,752	935,790
Reconciliation:					
Elimination of intersegment receivables					(494,653)
Investments in joint ventures					768,817
Investments in associates					1,511
Corporate and other unallocated assets					126,500
Total assets					<u>1,337,965</u>
<b>Segment liabilities</b>	43,173	225,322	226,180	58,555	553,230
Reconciliation:					
Elimination of intersegment payables					(494,653)
Corporate and other unallocated liabilities					133,817
Total liabilities					<u>192,394</u>
<b>Year ended 31 March 2019 (audited)</b>					
<b>Segment assets</b>	624,028	120,013	155,963	6,311	906,315
Reconciliation:					
Elimination of intersegment receivables					(453,664)
Investments in joint ventures					723,034
Investments in associates					1,698
Corporate and other unallocated assets					139,635
Total assets					<u>1,317,018</u>
<b>Segment liabilities</b>	52,022	200,834	204,385	54,906	512,147
Reconciliation:					
Elimination of intersegment payables					(453,664)
Corporate and other unallocated liabilities					142,942
Total liabilities					<u>201,425</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

#### Revenue

	Six months ended	
	30 September 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers</b>		
Semiconductor distribution	677,230	926,621
Consumer electronic product and brand omni-channel business	46,829	47,396
Others	1,664	4,382
	<u>725,723</u>	<u>978,399</u>

#### Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 September 2019 (Unaudited)

Segments	Semiconductor distribution	Consumer electronic product and brand omni-channel business	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total revenue from contracts with customers	<u>677,230</u>	<u>46,829</u>	<u>1,664</u>	<u>725,723</u>
<b>Geographical markets</b>				
Hong Kong	5,871	40,692	1,664	48,227
Singapore	671,359	3,534	-	674,893
Taiwan	-	2,118	-	2,118
Indonesia	-	485	-	485
Total revenue from contracts with customers	<u>677,230</u>	<u>46,829</u>	<u>1,664</u>	<u>725,723</u>
<b>Timing of revenue recognition</b>				
Transferred at a point in time	<u>677,230</u>	<u>46,829</u>	<u>1,664</u>	<u>725,723</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 4. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 September 2018 (Unaudited)

Segments	Semiconductor distribution	Consumer electronic product and brand omni-channel business	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total revenue from contracts with customers	926,621	47,396	4,382	978,399
<b>Geographical markets</b>				
Hong Kong	235,349	42,781	4,382	282,512
Singapore	691,272	4,513	-	695,785
Taiwan	-	102	-	102
Total revenue from contracts with customers	926,621	47,396	4,382	978,399
<b>Timing of revenue recognition</b>				
Transferred at a point in time	926,621	47,396	4,382	978,399

#### Other income and gains

	Six months ended	
	30 September 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
<b>Other income and gains</b>		
Bank interest income	185	9
Interest income on convertible bonds	-	937
Interest income on listed bond investments	2,193	637
Dividend income from listed equity investments	23	274
Trademark licence income	-	136
Rental income	2,609	2,917
Foreign exchange differences, net	301	1,136
Others	464	904
	<b>5,775</b>	<b>6,950</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 5. FINANCE COSTS

	Six months ended	
	30 September 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	2,385	3,531
Interest on lease liabilities	154	–
Interest on finance lease	–	74
	<u>2,539</u>	<u>3,605</u>

### 6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,605	1,890
Depreciation of right-of-use assets	950	–
Amortisation of other intangible assets	9	9
Loss on disposal of other intangible assets	60	–
Impairment of other receivables	–	937
Foreign exchange differences, net	(301)	(1,136)
	<u>(301)</u>	<u>(1,136)</u>

### 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 2018: 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 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
Current – Elsewhere		
Charge for the period	<u>156</u>	<u>209</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 8. DIVIDEND

During the current period, final dividend of HK\$0.02 (for the six months ended 30 September 2018: HK\$0.02) per share in respect of the year ended 31 March 2019, totalling HK\$18,173,000 (for the six months ended 30 September 2018: HK\$18,173,000), was declared and paid. The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019.

### 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 908,663,302 (for the six months ended 30 September 2018: 910,740,929) in issue during the period.

The Group had no dilutive potential ordinary shares in issue for the current and prior period. The calculation of basic and diluted earnings per share is based on:

	Six months ended	
	30 September 2019 (unaudited)	30 September 2018 (unaudited)
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>52,293</u>	<u>60,690</u>
	<b>Number of shares</b>	
	<b>30 September 2019</b>	<b>30 September 2018</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>908,663,302</u>	<u>910,740,929</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment at an aggregate cost of approximately HK\$4,498,000 (six months ended 30 September 2018: HK\$3,698,000).

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Investment in convertible bonds	11,327	11,327
Listed equity investments	22,038	38,354
Listed bond investments	43,848	43,885
Unlisted equity investments	22,955	24,082
Key management insurance contracts	23,110	23,110
	<u>123,278</u>	<u>140,758</u>
Analysed for reporting purpose as:		
Current assets	100,168	117,648
Non-current assets	23,110	23,110
	<u>123,278</u>	<u>140,758</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 12. TRADE RECEIVABLES

	<b>30 September 2019 (unaudited)</b>	31 March 2019 (audited)
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>95,448</b>	82,427
Impairment	<b>(11,490)</b>	(11,490)
	<b>83,958</b>	70,937

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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 September 2019 (unaudited)</b>	31 March 2019 (audited)
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>35,737</b>	15,505
1 to 2 months	<b>31,123</b>	34,864
2 to 3 months	<b>7,185</b>	6,507
Over 3 months	<b>9,913</b>	14,061
	<b>83,958</b>	70,937

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 13. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	<b>30 September 2019 (unaudited)</b>	31 March 2019 (audited)
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>34,428</b>	29,164
Deposits received	<b>794</b>	1,761
Accrued expenses	<b>15,128</b>	17,234
	<b>50,350</b>	48,159

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

	<b>30 September 2019 (unaudited)</b>	31 March 2019 (audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>3,667</b>	18,832
1 to 30 days	<b>27,647</b>	9,269
31 to 60 days	<b>916</b>	158
Over 60 days	<b>2,198</b>	905
	<b>34,428</b>	29,164

The trade payables are non-interest bearing and are normally settled between 30 and 90 days.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
		HK\$'000
Authorised:		
At 1 April 2018 (audited), 30 September 2018 (unaudited), 31 March 2019 (audited) and 30 September 2019 (unaudited)	2,000,000,000	200,000
Issued and fully paid:		
At 1 April 2018 (audited)	923,149,302	92,315
Share repurchases ( <i>Note</i> )	(14,486,000)	(1,449)
At 30 September 2018 (unaudited), 31 March 2019 (audited) and 30 September 2019 (unaudited)	908,663,302	90,866

*Note:* The Company repurchased 14,486,000 of its own shares through 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 ended 30 September 2018 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.

### 15. 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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 15. 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 2019	Fair value hierarchy	Valuation techniques and key inputs
Investment in convertible bonds classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$11,327,000 (As at 31 March 2019: HK\$11,327,000)	Level 3	Values are estimated with reference to the available published financial information
Listed equity investments, at market value classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$22,038,000 (As at 31 March 2019: HK\$38,354,000)	Level 1	Quoted market prices in an active market
Listed bond investments, at market value classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$43,848,000 (As at 31 March 2019: HK\$43,885,000)	Level 1	Quoted market prices in an active market
Certain unlisted equity investments classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$3,881,000 (As at 31 March 2019: HK\$3,881,000)	Level 2	Values are estimated with reference to the lowest level input that is significant to the fair value measurement is observable
Certain unlisted equity investments classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$19,074,000 (As at 31 March 2019: HK\$20,201,000)	Level 3	Values are estimated with reference to multiples of comparable listed companies, such as average of the enterprise value to sales ratio, price to earnings ratio or issued prices of recent transactions
Key management insurance contracts, at fair value classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$23,110,000 (As at 31 March 2019: HK\$23,110,000)	Level 3	Values are estimated based on the account values less surrender charges quoted by the vendors

*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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 15. 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 2019 and 30 September 2018.

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 2018 (audited)	98,182
Total losses recognised in profit or loss	(3,144)
Purchases	6,846
	<hr/>
At 30 September 2018 (unaudited)	101,884
Total losses recognised in profit or loss	(24,677)
Purchases	731
Disposal	(23,300)
	<hr/>
At 31 March 2019 (audited)	54,638
Total losses recognised in profit or loss	(1,127)
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At 30 September 2019 (unaudited)	53,511
	<hr/> <hr/>

#### 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 convertible bonds and certain 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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 16. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended	
		30 September 2019 (unaudited) HK\$'000	30 September 2018 (unaudited) HK\$'000
Joint venture:			
Sales of products	(i)	–	32,201
Dividend income	(ii)	<b>34,965</b>	34,965

Notes:

- (i) The sales to a joint venture was made with reference to the cost of products.
- (ii) The dividends declared by the joint venture of the Group were for the interim dividend for six months ended 30 June 2019 and 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 2019 (unaudited) HK\$'000	30 September 2018 (unaudited) HK\$'000
Salaries and other short-term employee benefits	<b>6,822</b>	7,055
Pension scheme contributions	<b>134</b>	88
	<b>6,956</b>	7,143

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 2019, with the comparative figures for the corresponding six months period of 2018.

	<b>Six months ended</b>	
	<b>30 September 2019</b>	30 September 2018
	<b>HK\$'million</b>	HK\$'million
<i>Revenue by segment</i>		
Semiconductor distribution	<b>677.2</b>	926.6
Consumer electronic product and brand omni-channel business	<b>46.8</b>	47.4
Venture capital	<b>1.1</b>	(3.7)
Others	<b>1.7</b>	4.4
	<b>726.8</b>	974.7
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	<b>(13.3)</b>	(12.2)
Venture capital	<b>(1.3)</b>	(5.9)
Semiconductor distribution	<b>81.5</b>	90.1
Consumer electronic product and brand omni-channel business	<b>(9.3)</b>	(4.6)
Others	<b>(4.5)</b>	(5.4)
	<b>53.1</b>	62.0
<i>Depreciation and amortisation</i>		
Corporate	–	–
Venture capital	<b>(0.7)</b>	(0.4)
Semiconductor distribution	<b>(1.3)</b>	(1.1)
Consumer electronic product and brand omni-channel business	<b>(0.5)</b>	(0.2)
Others	<b>(0.1)</b>	(0.2)
Total depreciation and amortisation	<b>(2.6)</b>	(1.9)
Profit before interest and tax	<b>53.1</b>	64.1
Interest expenses	<b>(2.5)</b>	(3.6)
Bank interest income	<b>0.2</b>	–
Profit before tax	<b>50.8</b>	60.5
Income tax	<b>(0.2)</b>	(0.2)
Profit for the period	<b>50.6</b>	60.3
Profit for the period attributable to:		
Owners of the Company	<b>52.3</b>	60.7
Non-controlling interests	<b>(1.7)</b>	(0.4)
	<b>50.6</b>	60.3

## BUSINESS REVIEW AND PROSPECTS

### **BUSINESS REVIEW**

Uncertainties from trade tensions, global slowdown, geopolitical risks amid event in Middle East and Brexit continued to weigh on global growth momentum resulting in weakness in trades, manufacturing and capital investments. Global manufacturing Purchasing Managers Indices are on the down trend, implying global economic expansion over the last ten years may have come to an end. From personal consumption perspective, spending sentiments remained resilient in both the United States (“U.S.”) and China, and thus managed to support the growth of the world’s two largest economies during the past months. Yet, not until a more promising Sino-U.S. trade agreement has been reached, or a more significant fiscal stimulus is to be implemented, global manufacturing activities are expected continuously to slow down. Against this backdrop, volatility is to stay for the foreseeable future giving rise to a more challenging operating environment.

During the period under review, the Group’s segment turnover was approximately HK\$726.8million (2018: HK\$974.7 million), a decrease of 25.4%. Among which semiconductor distribution business recorded a turnover of HK\$677.2 million (2018: HK\$926.6 million), consumer electronic product and brand omni-channel business recorded a revenue of HK\$46.8 million (2018: HK\$47.4 million), venture capital business recorded a profit of HK\$1.1 million (2018: loss of HK\$3.7 million) and internet social media business recorded a revenue of HK\$1.7 million (2018: HK\$4.4 million).

### ***Semiconductor Distribution Business***

The global smartphone market and relevant supply chains remain uncertain, largely due to fluctuations in Sino-U.S. trade talks, making future planning even more challenging. According to International Data Corporation (“IDC”), global smartphone sales in 2019 will be down 2.2%, with the entire market will contract by 0.4% in the second half of the year. The anticipation of 5G, beginning with smartphone, has been building for quite some time but the challenges within the smartphone market over the past three years have magnified that anticipation.

During the period under review, the semiconductor distribution business recorded a turnover of HK\$677.2 million (2018: HK\$926.6 million). Among them, Singapore remained as the main market of the Group, contributing approximately HK\$671.3 million, followed by Hong Kong with turnover of approximately HK\$5.9 million. 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.

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 17.8% decrease to HK\$11,735 million (2018: HK\$14,281 million). The share of profit from AVPEL Group by the Group is remained steady when compare to prior period. The main customers of AVPEL Group are China’s major mobile phone manufacturers and mobile phone component suppliers. AVPEL Group mainly engaged in the distribution of Samsung Electronics including (i) CMOS image sensors (ii) multi-layer packaged chips, and (iii) ARM processors.



## BUSINESS REVIEW AND PROSPECTS

Ongoing problems of saturation, longer refresh cycles and trade disputes between the U.S. and China are continuously adding uncertainties to the market. With 5G networks going live in the United Kingdom, U.S. and rest of the world, many mega smartphone brands are preparing the first tranche of compatible devices. IDC believes 5G smartphone will account for 8.9% of all shipments in year 2020, rising to 28.1% by year 2023, giving some new hopes to the smartphone market.

### *Consumer Electronic Product and Brand Omni-Channel Business*

The Group's consumer electronic product and brand omni-channel business was started in year 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 provides online and offline omni-channel service. During the period under review, the consumer electronic product business to be operated by Signeo Design, plus the brand omni-channel business, which was joined by a new team from a number of countries in Southeast Asia and under the operation of E-GoGo Limited ("E-GoGo"), recorded a turnover of HK\$46.8 million (2018: HK\$47.4 million).

According to the Google-Temasek e-Conomy SEA 2018 report, the compound annual growth rate of the Southeast Asia e-commerce market has grown by more than 62% over the past 3 years. The report also estimated that e-commerce will exceed \$100 billion in Gross Merchandise Volume by year 2025, from \$23 billion in year 2018. Despite such astonishing numbers, online commerce remains hugely underpenetrated, at around 2-3 % of total retail sales. With e-commerce developing more rapidly, omni-channel shopping will become more prevalent. With the continuously growing number of internet users in Southeast Asia, it's clear that digital represents a compelling opportunity across the region for brands hoping to reach a young, and increasingly affluent audience.

During the period under review, the Group has actively deployed e-commerce teams and commissioners who understand local culture in Southeast Asia markets such as Indonesia, Vietnam, Taiwan and Singapore. With the strong procurement plan and perfect sales and distribution network of the past in the Asia-Pacific region by Signeo Design, E-GoGo has further provided brand-name services for the specific market, to strengthen the brand omni-channel business. E-GoGo is responsible for the overall operation and the original Signeo Design team to provide one-stop business solutions for online and offline omni-channel brand management for business customers. It involves brand online and offline marketing strategies and consultancy, official malls or online store operations for various online platforms, digital marketing services, IT solutions, customer service, warehousing and distribution, and even offline smart stores. The Group is committed to technology development and solution providers for leading brands of e-commerce business partners in Southeast Asia markets aiming to advance and accommodate businesses to grow and be known by the public.

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 electronic 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 these Southeast Asia markets.

## BUSINESS REVIEW AND PROSPECTS

### *Internet Social Media Business*

During the period under review, revenue from 830 Media Limited (“830 Media”) was HK\$1.7 million (2018: HK\$4.4 million), 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 into the digital media business. The services provided by 830 Lab mainly included management training, technical support, production support, big data analysis and digital marketing tools. 830 Media, which focuses on nurturing creative talent, 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 of life-related hot topics and publishes original creative video content on major social media platforms including Facebook, YouTube, Instagram, Line, Wechat and others platforms to attract young consumer groups becoming loyal fans of these original content. During the period under review, it also attracted cooperation with those international and local famous brands to introduce their products or services on Whizoo page through different levels of one-stop creative content solutions, such as the campaigns for DBS Bank (Hong Kong) Ltd, Cadbury, Coca-Cola, Body Shop, Fortress, Osim and Pandora. Benefiting from the high content of video content and demographic data, Whizoo Media has more than 284,000 followers on Facebook, proving its high quality original creative content appealing to the internet audience. In view of the operational strategy of Whizoo Media, 830 Media also focused on the rapid development of another Facebook page “He She Kids”, which is a digital content platform for creating and producing high quality video of parenting content. The concept of “He She Kids” is to share about becoming parenthood, childhood caring and encouraging. The page achieved 65,000 followers on Facebook for its 1st birthday celebration. Not only putting effort into the original brand development, 830 Media also invested in an associate, OneShot Concept Limited, which owns the “冬 OT” brand, for a more diversified development strategy on the internet social media business.

Thanks to the convenience and unprecedented access brought about by new technological advances, internet social media has firmly established itself as one of the main channels for business and communications. The Group leverages its existing resources to manage its new internet social media business by creating space and creative channels to thrive in the internet world.

### *Venture Capital Business*

During the period under review, the turnover for venture capital business was recorded a profit of HK\$1.1 million (2018: loss of HK\$3.7 million) that is mainly for the fair value losses on financial assets at fair value through profit or loss, interest income on convertible bonds and listed bond investments, and dividend income from listed equity investments. As of 30 September 2019, various funds, convertible bonds, listed and unlisted equity investments, listed bond investments and key management insurance contracts were held at fair market value of HK\$123.3 million (31 March 2019: HK\$140.8 million) by the Group. During the period under review, the venture capital business of the Group recorded a fair value losses on financial assets at fair value through profit or loss of HK\$1.2 million (2018: HK\$5.6 million).

The venture capital business has always brought considerable income to the Group. The ultimate objective for investments in venture capital business is to obtain 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.

## BUSINESS REVIEW AND PROSPECTS

As at 30 September 2019, the Group owned small strategic investments in Mad Runway Holdings Limited, Luxury Choice Investments Limited and Urban City Joint Stock Company. Mad Runway Holdings Limited is a 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 and Urban City Joint Stock Company is an e-commerce company in Vietnam.

### *Prospects*

Market generally expects global smartphone sales to grow again in year 2020, driven by broader availability of 5G models and the promotion of 5G service packages in various parts of the world by communications service providers. Gartner, the world's leading research and advisory company, forecasts that sales of 5G smartphone will top 15 million units in year 2019, and its sales will ramp up in the second half of year 2020. We believe this trend will be beneficial to drive demand in the semiconductor industry chain in China and around the world. Looking ahead, in addition to the Chinese market, the Group will invest more resources in Singapore, India and other Asia Pacific markets to expand its market share and strive to maintain its leading position in the semiconductor distribution business.

In a joint study by Google and Temasek, Southeast Asia's internet economy is slated to be worth more than US\$240 billion by 2025, US\$40 billion more than what was first projected in year 2018. By year 2025, e-commerce is predicted to be worth US\$102 billion — making up more than 40% of the total worth of the region's internet economy. As a distributor with extensive experience in the field of consumer electronic product and brand omni-channel business, the Group actively embraces the demand driven by the internet. During the period under review, the Group has further promoted the business scope of e-commerce through the brand omni-channel business partners, and cooperated with PT Tokopedia, one of Indonesia's largest e-commerce platforms, and Taiwanese e-commerce platform Shopee to provide brand customers with online and offline omni-channel one-stop retail generation services for retail consumers. The development of E-GoGo will form a strong partnership with the distribution network that the Group has accumulated over the past years to develop a wider range of revenue sources by providing more diversified and comprehensive solutions and services to brand owners.

Since the establishment of 830 Lab and Whizoo Media, the Group has been actively investing in the development of new internet media businesses to diversify new media resources, condense creative talents, and capture the business opportunities brought by the booming content marketing market. The Group has also successfully formed an internet new media ecosystem around the consumer life level by identifying more investment incubations or strategic partnerships with other new media teams. In the new era of social media, videos are booming, content are more personalized and social activities are more predictable under artificial intelligence. The Group is confident, by riding on the more mature infrastructure and synergies across platforms, to deliver more positive internet original creative content to the Hong Kong audience and lead the Hong Kong internet creative industry to a new page.

The Group will continue to leverage its leading industry position, good reputation, developing the Asia Pacific markets and competitive advantage to adopt a proactive and prudent development strategy to achieve sustainable growth and bring satisfactory returns to shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

The total debt position and the gearing ratio as at 30 September 2019 are shown as follows:

	<b>30 September 2019</b>	31 March 2019
	<b>HK\$'million</b>	HK\$'million
Cash and cash equivalents	<b>93.8</b>	106.0
Financial assets at fair value through profit or loss included in current assets	<b>100.2</b>	117.6
	<b>194.0</b>	223.6
Borrowings, lease liabilities and finance lease payables	<b>71.0</b>	76.5
Total equity	<b>1,145.6</b>	1,115.6
Total debt to total equity (%)	<b>6%</b>	7%

As at 30 September 2019, the Group had cash and cash equivalents (i.e., cash and bank balances and deposits with other financial institutions) of HK\$93.8 million (31 March 2019: HK\$106.0 million), while the Group's financial assets at fair value through profit or loss included in current assets amounted to HK\$100.2 million (31 March 2019: HK\$117.6 million). The financial assets at fair value through profit or loss 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 2019 was 6% (31 March 2019: 7%), while the Group's total equity as at 30 September 2019 was HK\$1,145.6 million (31 March 2019: HK\$1,115.6 million), with the total balances of cash and cash equivalents, and financial assets at fair value through profit or loss as at 30 September 2019 of HK\$194.0 million (31 March 2019: HK\$223.6 million).

## **LIQUIDITY AND FINANCIAL RESOURCES (Continued)**

The working capital position of the Group remains healthy. As at 30 September 2019, the liquidity ratio was 210% (31 March 2019: 215%).

	<b>30 September 2019</b>	31 March 2019
	<b>HK\$'million</b>	HK\$'million
Current assets	<b>370.8</b>	397.4
Current liabilities	<b>(176.2)</b>	(184.6)
Net current assets	<b>194.6</b>	212.8
Current assets to current liabilities (%)	<b>210%</b>	215%

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 2019, the Group recorded financial assets at fair value through profit or loss of approximately HK\$123.3 million (31 March 2019: HK\$140.8 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 11 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 33 of this report.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018: Nil).

## **EMPLOYEES**

As at 30 September 2019, the Group employed a total of approximately 188 (31 March 2019: approximately 205) 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 2019, 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**

<b>Name of Director and chief executive</b>	<b>Nature of interest and capacity</b>	<b>Number of ordinary shares of the Company</b>	<b>Approximate percentage of interest in the issued shares</b>
Dr. So Yuk Kwan ("Dr. So")	Corporate interest	317,599,826	40.68%
	Beneficial owner	52,058,400 (Note 1)	
Dr. Lui Ming Wah ("Dr. Lui"), SBS, JP	Beneficial owner	2,620,000	0.29%
	Interest of spouse	(Note 2)	

#### **Notes:**

- These shares include (i) 220,831,960 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) 52,058,400 shares of the Company held by Dr. So as beneficial owner (including 30,000,000 shares of the Company held on trust by a friend of Dr. So for Dr. So). Dr. So is deemed to be interested in 317,599,826 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.
- 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**

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

*Note:*

These underlying shares in 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 the 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 2019, 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 2019, 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:

<b>Name or category of participant</b>	<b>Number of share options</b>						<b>At 30 September 2019</b>	<b>Date of grant of share options</b>	<b>Exercise period of share options</b>	<b>Exercise price of share options</b>
	<b>Balance at 1 April 2019</b>	<b>Granted during the period</b>	<b>Lapsed during the period</b>	<b>Exercised during the period</b>	<b>Cancelled during the period</b>	<b>Expired during the period</b>				
<b>Director of the Company and 830 Lab</b>										
Mr. Sunny So	220,000	-	-	-	-	-	220,000	5/8/2013	6/9/2015 – 5/8/2023	HK\$8.0
<b>Employees of 830 Lab</b>										
Employees of 830 Lab	15,000	-	-	-	-	-	15,000	5/8/2013	6/9/2015 – 5/8/2023	HK\$8.0
<b>Total</b>	<b>235,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,000</b>			

## **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 2019, 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	220,831,960 (Note 1)	24.30%
Jade Concept	Beneficial owner	96,767,866 (Note 2)	10.65%
KOH Kai Boo	Beneficial owner	78,268,000	8.61%
Madam Yeung Kit Ling ("Madam Yeung")	Interest of spouse	369,658,226 (Note 3)	40.68%

#### Notes:

1. BKS is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 220,831,960 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 52,058,400 shares held by Dr. So as beneficial owner.

Save as disclosed above, as at 30 September 2019, 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 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



## **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 2019, except for the deviation of code provision A.2.1 of the Corporate Governance Code as express below:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period under review, the positions of Chairman and Chief Executive Officer (the “CEO”) of the Company are held by Dr. So Yuk Kwan.

The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

## **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 2019.

## **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 2019.

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

Hong Kong, 27 November 2019

*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.*