

## STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Six months ended 30 September	
	2015	2014
	HK\$'million	HK\$'million
<b>CONTINUING OPERATIONS</b>		
Revenue		
– Semiconductor distribution	591.2	1,078.6
– Consumer electronic product	23.9	32.6
– Others	1.6	0.9
	<b>616.7</b>	<b>1,112.1</b>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(12.0)	20.5
– Venture capital	(16.1)	(32.7)
– Semiconductor distribution	52.3	66.0
– Consumer electronic product	(2.1)	(1.4)
– Others	(8.9)	(4.5)
	<b>13.2</b>	<b>47.9</b>
Depreciation and amortisation	<b>(4.0)</b>	<b>(5.5)</b>
<b>DISCONTINUED OPERATION</b>		
Loss for the period from a discontinued operation	<b>–</b>	<b>(59.7)</b>
Profit/(loss) for the period attributable to:		
Owners of the Company	6.3	(24.2)
Non-controlling interests	–	(0.3)
	<b>6.3</b>	<b>(24.5)</b>
Interim dividend	<b>–</b>	<b>–</b>

## STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	<b>30 September 2015</b>	31 March 2015
	<b>HK\$'million</b>	HK\$'million
Total assets	<b>930.4</b>	1,140.1
Total assets less current liabilities	<b>685.4</b>	679.3
Total equity	<b>660.8</b>	654.2
Borrowings and finance lease payables	<b>189.7</b>	350.8
Cash and cash equivalents	<b>51.3</b>	131.7
Equity investments at fair value through profit or loss	<b>80.2</b>	89.2
Cash and cash equivalents and equity investments	<b>131.5</b>	220.9
Total debt to total equity (%)	<b>29%</b>	54%
Current assets to current liabilities (%)	<b>153%</b>	138%
Cash and cash equivalents and equity investments per share (HK\$)	<b>0.17</b>	0.29
Total equity per share (HK\$)	<b>0.85</b>	0.85

## 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 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>616,741</b>	1,112,105
Cost of sales		<u>(599,657)</u>	<u>(1,065,332)</u>
Gross profit		<b>17,084</b>	46,773
Other income and gains	4	<b>4,370</b>	6,357
Selling and distribution expenses		<b>(7,389)</b>	(11,624)
Administrative expenses		<b>(49,467)</b>	(50,019)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss			
– held for trading		<b>(15,650)</b>	(12,234)
– designated as such upon initial recognition		<b>1,801</b>	(17,586)
Fair value gain on investment		–	15,229
Gain on disposal of subsidiaries		–	15,850
Other expenses, net		<b>(17,703)</b>	(3,156)
Finance costs	5	<b>(3,216)</b>	(7,081)
Share of profits and losses of:			
Joint ventures		<b>71,985</b>	52,813
Associates		<u>4,171</u>	<u>–</u>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>5,986</b>	35,322
Income tax	7	<b>265</b>	(104)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>6,251</b>	35,218
<b>DISCONTINUED OPERATION</b>			
Loss for the period from a discontinued operation		<u>–</u>	<u>(59,737)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u><b>6,251</b></u>	<u>(24,519)</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<b>Six months ended</b>	
	<b>30 September</b>	2014
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Attributable to:		
Owners of the Company		
Profit for the period from continuing operations	<b>6,250</b>	35,356
Loss for the period from a discontinued operation	<u>-</u>	<u>(59,586)</u>
Profit/(loss) for the period attributable to owners of the Company	<u><b>6,250</b></u>	<u>(24,230)</u>
Non-controlling interests		
Profit/(loss) for the period from continuing operations	<b>1</b>	(137)
Loss for the period from a discontinued operation	<u>-</u>	<u>(152)</u>
Profit/(loss) for the period attributable to non-controlling interests	<u><b>1</b></u>	<u>(289)</u>
	<u><b>6,251</b></u>	<u>(24,519)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>		
<b>ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
<i>9</i>		
Basic		
- For profit/(loss) for the period	<u><b>0.8 cents</b></u>	<u>(3.4) cents</u>
- For profit from continuing operations	<u><b>0.8 cents</b></u>	<u>5.0 cents</u>
Diluted		
- For profit/(loss) for the period	<u><b>0.8 cents</b></u>	<u>(3.4) cents</u>
- For profit from continuing operations	<u><b>0.8 cents</b></u>	<u>5.0 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<u>6,251</u>	<u>(24,519)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	<u>(4,352)</u>	<u>179</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<u>(4,352)</u>	<u>179</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<u><u>1,899</u></u>	<u><u>(24,340)</u></u>
Attributable to:		
Owners of the Company	<u>1,898</u>	<u>(24,051)</u>
Non-controlling interests	<u>1</u>	<u>(289)</u>
	<u><u>1,899</u></u>	<u><u>(24,340)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2015 (Unaudited)	31 March 2015 (Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	40,698	42,495
Investment properties		120,981	121,891
Goodwill		10,483	10,483
Other intangible assets		10,872	12,945
Investments in joint ventures		285,373	213,388
Investments in associates		17,693	13,522
Available-for-sale investments		67,248	90,173
Deposits		475	491
Pledged time deposits		1,108	1,024
		<u>554,931</u>	<u>506,412</u>
Total non-current assets		554,931	506,412
<b>CURRENT ASSETS</b>			
Inventories		111,275	147,155
Trade receivables	11	89,558	211,059
Due from associates		24,541	20,867
Prepayments, deposits and other receivables		18,314	33,408
Equity investments at fair value through profit or loss	12	80,167	89,164
Tax recoverable		296	300
Cash and cash equivalents		51,331	131,739
		<u>375,482</u>	<u>633,692</u>
Total current assets		375,482	633,692
<b>CURRENT LIABILITIES</b>			
Trade payables, deposits received and accrued expenses	13	49,920	104,725
Interest-bearing bank and other borrowings		180,092	341,055
Finance lease payables		154	160
Tax payable		408	443
Financial guarantee obligation		14,465	14,465
		<u>245,039</u>	<u>460,848</u>
Total current liabilities		245,039	460,848
<b>NET CURRENT ASSETS</b>		<u>130,443</u>	<u>172,844</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>685,374</u>	<u>679,256</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2015 (Unaudited)	31 March 2015 (Audited)
	<i>Note</i>	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		9,308	9,265
Finance lease payables		192	280
Deferred tax liabilities		<u>15,053</u>	<u>15,545</u>
Total non-current liabilities		<u>24,553</u>	<u>25,090</u>
Net assets		<u><u>660,821</u></u>	<u><u>654,166</u></u>
<b>EQUITY</b>			
Issued capital	14	77,294	77,294
Reserves		<u>570,189</u>	<u>568,291</u>
Equity attributable to owners of the Company		<u>647,483</u>	645,585
Non-controlling interests		<u>13,338</u>	<u>8,581</u>
Total equity		<u><u>660,821</u></u>	<u><u>654,166</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Other reserve	Available-for-sale investments revaluation reserve	Asset revaluation reserve	Equity-settled share-based payments reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (audited)	71,111	434,856	19,484	(38,306)	(2,393)	11,981	110	9,945	187,011	693,799	(25,146)	668,653
Loss for the period	-	-	-	-	-	-	-	-	(24,230)	(24,230)	(289)	(24,519)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	179	-	179	-	179
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	179	(24,230)	(24,051)	(289)	(24,340)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	29,331	29,331
Other movement	-	-	200	-	-	-	-	-	-	200	-	200
At 30 September 2014 (unaudited)	<u>71,111</u>	<u>434,856</u>	<u>19,684</u>	<u>(38,306)</u>	<u>(2,393)</u>	<u>11,981</u>	<u>110</u>	<u>10,124</u>	<u>162,781</u>	<u>669,948</u>	<u>3,896</u>	<u>673,844</u>
At 1 April 2015 (audited)	77,294	453,469	19,484	(38,483)	(1,902)	38,765	1,255	2,979	92,724	645,585	8,581	654,166
Profit for the period	-	-	-	-	-	-	-	-	6,250	6,250	1	6,251
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,352)	-	(4,352)	-	(4,352)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(4,352)	6,250	1,898	1	1,899
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	4,756	4,756
At 30 September 2015 (unaudited)	<u>77,294</u>	<u>453,469</u>	<u>19,484</u>	<u>(38,483)</u>	<u>(1,902)</u>	<u>38,765</u>	<u>1,255</u>	<u>(1,373)</u>	<u>98,974</u>	<u>647,483</u>	<u>13,338</u>	<u>660,821</u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>70,147</u>	<u>64,752</u>
INVESTING ACTIVITIES		
Bank interest received	92	794
Purchases of items of property, plant and equipment	(662)	(2,410)
Purchases of available-for-sale investments	(2,454)	–
Disposal of equity investments at fair value through profit or loss	18,917	36,653
Other investing cash flows, net	<u>(38)</u>	<u>96,706</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>15,855</u>	<u>131,743</u>
FINANCING ACTIVITIES		
Repayment of bank and other loans	(20,417)	(7,526)
Net decrease in import and trust receipt loans	(146,231)	(153,501)
Other financing cash flows, net	<u>(3,300)</u>	<u>(7,239)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(169,948)</u>	<u>(168,266)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(83,946)</b>	28,229
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>131,739</b>	87,755
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	<u>3,538</u>	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u><b>51,331</b></u>	<u>115,984</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

The condensed consolidated 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 Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for equity investments at fair value through profit or loss, certain available-for-sale investments (including key management insurance) and investment properties, which have been measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 April 2015.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

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

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer electronic product 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 managed funds; and
- (d) the others segment mainly comprises the Group’s mobile application development business.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that bank interest income, dividend income from listed investments, rental income, service fee income, share of profits and losses of associates and joint ventures, fair value gain on investment, gain on disposal of subsidiaries, finance costs and unallocated expenses are excluded from such measurement.

Segment assets exclude tax recoverable, pledged time deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank and other borrowings, finance lease payables, financial guarantee obligation and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Information regarding the above segments is reported below.

#### Six months ended 30 September 2015 (Unaudited)

##### Continuing operations

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>					
Sales to external customers and revenue from continuing operations	<u>591,278</u>	<u>23,873</u>	<u>-</u>	<u>1,590</u>	<u>616,741</u>
Segment results	(23,308)	(2,051)	(16,480)	(9,856)	(51,695)
<b>Reconciliation:</b>					
Bank interest income					92
Dividend income from listed investments					46
Rental income					2,670
Share of profits of joint ventures					71,985
Share of profits and losses of associates					4,171
Unallocated expenses					(18,067)
Finance costs					(3,216)
Profit before tax from continuing operations					<u>5,986</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

Six months ended 30 September 2014 (Unaudited)

Continuing operations

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>					
Sales to external customers and revenue from continuing operations	<u>1,078,649</u>	<u>32,594</u>	<u>-</u>	<u>862</u>	<u>1,112,105</u>
Segment results	9,136	(3,095)	(33,927)	(5,476)	(33,362)
Reconciliation:					
Bank interest income					794
Dividend income from listed investments					791
Rental income					1,690
Service fee income					16
Share of profits of joint ventures					52,813
Fair value gain on investment					15,229
Gain on disposal of subsidiaries					15,850
Unallocated expenses					(11,418)
Finance costs					(7,081)
Profit before tax from continuing operations					<u>35,322</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

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

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Period ended 30 September 2015 (Unaudited)</b>					
<b>Segment assets</b>	566,363	97,008	109,977	8,578	781,926
Reconciliation:					
Elimination of intersegment receivables					(287,460)
Investments in associates					17,693
Investments in joint ventures					285,373
Corporate and other unallocated assets					132,881
Total assets					<u>930,413</u>
<b>Segment liabilities</b>	45,056	137,594	134,862	19,867	337,379
Reconciliation:					
Elimination of intersegment payables					(287,460)
Corporate and other unallocated liabilities					219,673
Total liabilities					<u>269,592</u>
<b>Year ended 31 March 2015 (audited)</b>					
<b>Segment assets</b>	753,749	94,485	115,103	9,172	972,509
Reconciliation:					
Elimination of intersegment receivables					(313,339)
Investments in associates					13,522
Investments in joint ventures					213,388
Corporate and other unallocated assets					254,024
Total assets					<u>1,140,104</u>
<b>Segment liabilities</b>	100,206	131,887	169,298	16,673	418,064
Reconciliation:					
Elimination of intersegment payables					(313,339)
Corporate and other unallocated liabilities					381,213
Total liabilities					<u>485,938</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)
	HK\$'000	HK\$'000
Bank interest income	92	794
Dividend income from listed investments	46	304
Interest income from debt securities	–	487
Rental income	2,670	1,689
Bad debts recover	542	–
Others	1,020	3,083
	<u>4,370</u>	<u>6,357</u>

### 5. FINANCE COSTS

	Six months ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other loans	3,112	6,854
Interest on mortgage loans	93	210
Interest on finance leases	11	17
	<u>3,216</u>	<u>7,081</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,993	1,942
Amortisation of other intangible assets	2,037	3,576
Foreign exchange differences, net	7,069	(2,021)
Loss on disposal of available-for-sale investments	7,338	–
Provision for bad debts	1,424	–
Share options expense	4,756	–
	<u>4,756</u>	<u>–</u>

### 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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	
	2015 (Unaudited)	2014 (Unaudited)
	HK\$'000	HK\$'000
Current tax	139	767
Deferred tax	(404)	(663)
	<u>(265)</u>	<u>104</u>
Total tax (credit)/charge for the period	<u>(265)</u>	<u>104</u>

### 8. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2014 and 30 September 2015. The directors do not recommend the payment of an interim dividend.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 772,944,419 (30 September 2014: 711,108,419) in issue during the period.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)
	HK\$'000	HK\$'000
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculations:		
From continuing operations	6,250	35,356
From a discontinued operation	–	(59,586)
	<u>6,250</u>	<u>(24,230)</u>
	Number of shares	
	30 September 2015	30 September 2014
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	772,944,419	711,108,419
Effect of dilution – weighted average number of ordinary shares:		
Share options issued on 13 March 2013	69,372	216,176
	<u>773,013,791</u>	<u>711,324,595</u>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The computation of diluted earnings per share for the six months ended 30 September 2015 does not assume the exercise of the Company's outstanding share options issued on 12 December 2014 as the exercise price of those options is higher than the average market price for shares for the six months ended 30 September 2015.

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment at an aggregate cost of approximately HK\$662,000 (six months ended 30 September 2014: HK\$2,410,000).

### 11. TRADE RECEIVABLES

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade receivables	96,298	216,375
Impairment	<u>(6,740)</u>	<u>(5,316)</u>
	<u><b>89,558</b></u>	<u><b>211,059</b></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 Company has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. TRADE RECEIVABLES (Continued)

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

	30 September 2015 (Unaudited)	31 March 2015 (Audited)
	HK\$'000	HK\$'000
Current	53,033	124,135
1 to 30 days	20,917	62,885
31 to 60 days	2,732	14,871
Over 60 days	19,616	14,484
	<u>96,298</u>	<u>216,375</u>

### 12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2015 (Unaudited)	31 March 2015 (Audited)
	HK\$'000	HK\$'000
Investment in an associate (Note)	<u>68,937</u>	<u>85,750</u>
Managed funds, outside Hong Kong, at market value	-	296
Listed equity investments, in Hong Kong, at market value	<u>11,230</u>	<u>3,118</u>
	<u>11,230</u>	<u>3,414</u>
	<u>80,167</u>	<u>89,164</u>

The above equity investments with a carrying amount of HK\$11,230,000 (31 March 2015: HK\$3,414,000) at 30 September 2015 were classified as held for trading.

At 31 March 2015, equity investments amounting to HK\$1,777,000 were pledged to secure certain of the Group's interest-bearing bank and other borrowings. There was no equity investments pledged to secure the Group's interest-bearing bank and other borrowings at 30 September 2015.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note:

At the end of the reporting period, the Group held 17.63% (31 March 2015: 27.44%) equity interest in Integrated Energy Limited ("IEL"). The investment in IEL was classified as an investment in an associate as the Group exercises significant influence over the financial and operating policies of IEL. As this associate is held as part of venture capital organisation's investment portfolio, it is carried in the condensed consolidated statement of financial position at fair value. This treatment is permitted by HKAS 28 (2011) "Investments in Associates and Joint Ventures" 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 or loss and accounted for in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", with changes in fair value recognised in the condensed consolidated statement of profit or loss in the period of change.

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

	<b>30 September 2015 (Unaudited)</b>	31 March 2015 (Audited)
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>30,560</b>	83,621
Deposits received	<b>4,445</b>	7,345
Accrued expenses	<b>14,915</b>	13,759
	<b><u>49,920</u></b>	<u>104,725</u>

An aged 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 2015 (Unaudited)</b>	31 March 2015 (Audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>27,721</b>	78,212
1 to 30 days	<b>686</b>	5,404
31 to 60 days	<b>186</b>	–
Over 60 days	<b>1,967</b>	5
	<b><u>30,560</u></b>	<u>83,621</u>

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
		HK\$'000
Authorised:		
At 1 April 2014 (audited) and 30 September 2014 (unaudited)	800,000,000	80,000
Increase on 11 February 2015 ( <i>Note a</i> )	<u>1,200,000,000</u>	<u>120,000</u>
At 31 March 2015 (audited) and 30 September 2015 (unaudited)	<u><u>2,000,000,000</u></u>	<u><u>200,000</u></u>
Issued capital:		
At 1 April 2014 (audited) and 30 September 2014 (unaudited)	711,108,419	71,111
Issued on 31 December 2014 ( <i>Note b</i> )	<u>61,836,000</u>	<u>6,183</u>
At 31 March 2015 (audited) and 30 September 2015 (unaudited)	<u><u>772,944,419</u></u>	<u><u>77,294</u></u>

*Notes:*

- (a) Pursuant to an ordinary resolution passed on 11 February 2015, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of 1,200,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing shares of the Company.
- (b) On 19 December 2014, the Company and Koh Business Groups Pte. Ltd. (the "Subscriber"), an independent third party, entered into a share subscription agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for 61,836,000 shares at a price of HK\$0.401 per share (the "Koh Subscription"). The Koh Subscription was completed on 31 December 2014 and a total proceed of HK\$24,796,000 was received by the Company.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. DISPOSAL OF SUBSIDIARIES

- (a) During the period ended 30 September 2014, the Group disposed of its entire interest in Soul Limited to an independent third party at a consideration of HK\$9,800,000.

	Six months ended 30 September 2014 (Unaudited)
	HK\$'000
Net assets disposed of:	
Inventories	10,172
Trade receivables	15,426
Prepayments, deposits and other receivables	4,855
Cash and cash equivalents	3,425
Trade payables, deposits received and accrued expenses	(7,312)
Non-controlling interests	29,331
Loss on disposal	<u>(46,097)</u>
Consideration	<u>9,800</u>
Satisfied by:	
Cash	<u>9,800</u>
Cash consideration	9,800
Cash and cash equivalents disposed of	<u>(3,425)</u>
Net cash inflow from disposal	<u>6,375</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. DISPOSAL OF SUBSIDIARIES (Continued)

- (b) During the period ended 30 September 2014, the Group disposed of 51% equity interest in Soul TM Limited to an independent third party at a consideration USD2,040,000 (approximately equivalent to HK\$15,850,000).

	Six months ended 30 September 2014 (Unaudited)
	HK\$'000
Net assets disposed of:	
Other intangible assets	244
Prepayments, deposits and other receivables	1
Trade payables, deposits received and accrued expenses	(245)
Gain on disposal	<u>15,850</u>
Consideration	<u><u>15,850</u></u>
Satisfied by:	
Cash	<u><u>15,850</u></u>
Cash consideration	15,850
Cash and cash equivalents disposed of	<u>–</u>
Net cash inflow from disposal	<u><u>15,850</u></u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. 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).

Financial assets	Fair value as at 30 September 2015	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of fair value to the input <i>(Note)</i>
Unlisted equity investments, at fair value classified as available-for-sale investments in the condensed consolidated statement of financial position	HK\$29,887,000 (As at 31 March 2015: HK\$60,994,000)	Level 3	Market approach. Future cash flows are estimated based on revenue multiple, discounted at a rate that reflects the credit risk of various counterparties	Revenue multiple and discount for lack of marketability	(i) 0.1x (31 March 2015: 0.1x) increase (decrease) in revenue multiple would result in increase (decrease) in fair value by HK\$1,072,000 (31 March 2015: HK\$2,188,000)  (ii) 1% (31 March 2015: 1%) increase (decrease) in discount would result in decrease (increase) in fair value by HK\$276,000 (31 March 2015: HK\$564,000)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. 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 2015	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of fair value to the input <i>(Note)</i>
Key management insurance, at fair value classified as available-for-sale investments in the condensed consolidated statement of financial position	HK\$21,821,000 (As at 31 March 2015: HK\$13,639,000)	Level 3	Values are estimated based on account value less surrender charge, quoted by the vendor	Account value and surrender charge	(i) 5% (31 March 2015: 5%) increase (decrease) in account value would result in increase (decrease) in fair value by HK\$1,248,000 (31 March 2015: HK\$780,000)  (ii) 5% (31 March 2015: 5%) increase (decrease) in surrender charge would result in decrease (increase) in fair value by HK\$160,000 (31 March 2015: HK\$100,000)
Investment in an associate classified as equity investments at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$68,937,000 (As at 31 March 2015: HK\$85,750,000)	Level 1	Quoted bid prices in an active market	N/A	N/A
Managed funds, outside Hong Kong classified as equity investments at fair value through profit or loss in the condensed consolidated statement of financial position	Nil (As at 31 March 2015: HK\$296,000)	Level 1	Quoted bid prices in an active market	N/A	N/A
Listed equity investments, in Hong Kong classified as equity investments at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$11,230,000 (As at 31 March 2015: HK\$3,118,000)	Level 1	Quoted bid prices in an active market	N/A	N/A

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



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. 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 year ended 31 March 2015 and six months period ended 30 September 2015.

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 their fair values.

#### *Reconciliation of Level 3 fair value measurements of financial assets*

	HK\$'000
At 1 April 2014 (audited) and 30 September 2014 (unaudited)	49,429
Total gains recognised in other comprehensive income	491
Purchases	60,995
Disposals	(36,282)
	<hr/>
At 31 March 2015 (audited)	74,633
Purchases	8,182
Disposals	(31,107)
	<hr/>
At 30 September 2015 (unaudited)	<u><u>51,708</u></u>

#### *Fair valuation 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 Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

For the valuation of unlisted equity investments and key management insurance, 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Associates:</b>			
Sales of products	<i>(i)</i>	<b>306</b>	171
Purchases of products	<i>(i)</i>	<b>209</b>	636
Trademark licence income	<i>(ii)</i>	<b>194</b>	272
<b>Related company:</b>			
Rental expense	<i>(iii)</i>	<b>311</b>	311

*Notes:*

- (i) The sales and purchases from associates were made according to the cost of products.
- (ii) The trademark licence income from an associate was made with reference to the actual cost incurred.
- (iii) The rental expense was charged in accordance with the respective tenancy agreement. The related company is controlled by Dr. So Yuk Kwan, a director of the Company.

**(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 was as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>5,667</b>	5,643
Pension scheme contributions	<b>117</b>	176
	<b>5,784</b>	5,819

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 2015, with the comparative figures for the corresponding six months period of 2014.

	Six months ended 30 September	
	2015	2014
	HK\$ million	HK\$ million
<b>CONTINUING OPERATIONS</b>		
Revenue		
Semiconductor distribution	591.2	1,078.6
Consumer electronic product	23.9	32.6
Others	1.6	0.9
	<u>616.7</u>	<u>1,112.1</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(12.0)	20.5
Venture capital	(16.1)	(32.7)
Semiconductor distribution	52.3	66.0
Consumer electronic product	(2.1)	(1.4)
Others	(8.9)	(4.5)
	<u>13.2</u>	<u>47.9</u>
Depreciation and amortisation		
Corporate	(0.1)	(0.1)
Venture capital	(0.2)	(0.4)
Semiconductor distribution	(2.8)	(2.6)
Consumer electronic product	-	(1.5)
Others	(0.9)	(0.9)
	<u>(4.0)</u>	<u>(5.5)</u>
Total depreciation and amortisation		
Profit before interest and tax	9.2	42.4
Interest expenses	(3.2)	(7.1)
Profit before tax from continuing operations	6.0	35.3
Income tax	0.3	(0.1)
Profit for the period from continuing operations	<u>6.3</u>	<u>35.2</u>
<b>DISCONTINUED OPERATION</b>		
Loss for the period from a discontinued operation	-	(59.7)
Profit/(loss) for the period	<u>6.3</u>	<u>(24.5)</u>
Profit/(loss) for the period attributable to:		
Owners of the Company	6.3	(24.2)
Non-controlling interests	-	(0.3)
	<u>6.3</u>	<u>(24.5)</u>

## BUSINESS REVIEW AND PROSPECTS

### *BUSINESS REVIEW*

For the reviewing period of the six months ended 30 September 2015, global macro-economic environment remained challenging, while global consumer confidence, particular in the United States of America and Europe, has been rising slowly to reach near-optimistic levels in the past year, there is still evidence that consumers feel uncertain about their countries' futures. Whereas for the People's Republic of China ("China"), who is trying to move its economy away from reliance on exports and toward greater domestic consumption, government is pushing more of its 1.4 billion people up the income ladder, which believes would be the local or global demand driver.

According to a new mobile phone forecast from the International Data Corporation ("IDC") Worldwide Quarterly Mobile Phone Tracker, smartphone shipments are expected to grow at 10.4% in 2015 to 1.44 billion units. China is joining North America and Western Europe in a more mature growth pattern, which is the major reason for the noticeable slowdown in smartphone shipments in 2015. China remains and will continue to be the focal point of the global smartphone market in the foreseeable future. During the reviewing period, the Group continued to record satisfactory results in the semiconductor distribution business due to the continuous growth in the smartphone industry.

During the reviewing period, the Group's revenue from continuing operation was HK\$616,741,000 (2014: HK\$1,112,105,000), decreased by 44.5%. Among which semiconductor distribution business recorded a turnover of HK\$591,278,000 (2014: HK\$1,078,649,000), consumer electronic product business recorded a revenue of HK\$23,873,000 (2014: HK\$32,594,000) and mobile application business recorded a revenue of HK\$1,590,000 (2014: HK\$862,000). Gross profit was HK\$17,084,000 (2014: HK\$46,773,000). Profit attributable to shareholders of HK\$6,251,000 (2014: loss of HK\$24,519,000) was recorded.

### *Semiconductor Distribution Business*

During the reviewing period, semiconductor distribution business recorded a turnover of HK\$591,278,000 (2014: HK\$1,078,649,000). The drop was primarily due to the termination of the semiconductor distribution agreements with Fairchild Semiconductor Hong Kong Limited and Fairchild Semiconductor Asia Pacific Pte. Ltd., to distribute semiconductors in China and Hong Kong and in certain Southeast Asia countries (including Singapore) effective from 23 April 2015. The re-allocation of internal resources allows the Group to focus on developing the joint venture of the Group, AVP Electronics Limited and its subsidiaries ("AVPEL Group"), for Samsung electronics business with higher margins.

During the reviewing period, turnover of AVPEL Group was not consolidated in the Group's financial statements and recorded a 91.3% surge in turnover to HK\$6,955 million (2014: HK\$3,635 million). The growth is mainly contributed by Samsung electronics products under distribution including multi-chip packages and CMOS images sensors.

## BUSINESS REVIEW AND PROSPECTS

According to latest public report prepared by market research company, IDC, total global smartphone shipment may grow at 10.4% to 1.44 billion units in 2015 meaning the market momentum despite slower, is still driving the related business going. The IDC Worldwide Quarterly Mobile Phone Tracker also indicated that China was behind 32.2% of all new smartphone shipments in 2014, is expected to take up 23.1% in 2019. It is no doubt China would remain as the largest market for smartphone volumes throughout its four-year forecast period. Given market continues to believe that China represents an unprecedented opportunity over the long term given the smartphone penetration rate is still relatively low and most importantly the growth of the middle class over the next several years will be huge, we remain optimistic about the industry outlook.

Furthermore, there is an emerging trend of China consumers flocked to domestic brands offering quality on par with foreign brands at a cheaper cost. Chinese smartphone makers are climbing up the sales ladder over the past year, in particular the mid-to-low end devices. Thanks to the foresight of management, the entry into the lower-tier 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. The Group will continue focusing on exploring China semiconductor distribution business.

### *Consumer Electronic Product Business*

The Group has decisively discontinued its SOUL® headphone business since August 2014, the Group has re-diverted resources into developing personal and home electrical appliances distribution. During the period under review, consumer electronic product business recorded a turnover of HK\$23,873,000 (2014: HK\$32,594,000). The Group believed the world has entered a new transformative era for healthcare and more personalized digital products, and technology is enabling the industry to connect to, care for and engage with the community in a profound new way, the Group is hoping to, by leveraging its existing electronic distribution network to explore exciting opportunities within the consumer electronic product industry for new income source.

### *Mobile Application Business*

During the reviewing period, the turnover for mobile application business was HK\$1,590,000 (2014: HK\$862,000) with contributions from the steadily developing Koocell Holdings Limited (“Koocell”) and an associate of the Group, Me2On Co., Ltd.. After the rearrangement of business into two separate lines and entities, namely, mobile applications and online advertising as well as game development in May 2015, Koocell continued to grow healthily with the continuous progress in its popular mobile application Free4U and its first mobile puzzle RPG Three Kingdoms related mobile game called “Tales of Three Kingdoms”. The next upcoming “GGO Football” which is created based on an animation cartoon series “GGO Football” in China, the Group is at the final discussion stage with publishers and the game is expected to launch in the near future. According to iiMedia Research, for second quarter of 2015, the total market size for China mobile games reached RMB10.85 billion with total number of gamers approximately 491 million. The mobile games market experienced exponential growth since 2012 but has reached a saturation state where market consolidation is expected. With the popularity of Free4U and Tales of Three Kingdoms, we believe the business growth remains healthy and sustainable despite the challenging market situation.

## BUSINESS REVIEW AND PROSPECTS

To diversify business risk as well as higher mobile penetration and fast growing mobile advertising market, in October 2015, Koocell introduced AdLocus, a Location-Based Service push-based mobile advertising platform developed by Taiwan's HyXen Technology Co., Ltd. ("HyXen Technology") and became the platform's exclusive agent for Hong Kong. This innovative and leading technology will turn a brand new page for Hong Kong mobile advertising market. AdLocus' unique push notification allows mobile users to instantly receive advertisements upon entering the designated areas without the need of activating any mobile applications with advantages including more specific audience targeting, higher users' privacy and more effective advertising in terms of scale and costs.

Hong Kong smartphone penetration rate reached 75% in 2015, ranked number three in the world, over 80% of corporations have increased their digital advertising budgets. The corporate spending proportion on digital advertising was seen increasing annually making advertisers focused on developing smartphone advertising market. Koocell's cooperation with HyXen Technology introduces brand new push notification advertising model, bringing a more effective and more targeted brand new mobile advertising platform for Hong Kong advertisers and App developers. The cooperation with HyXen Technology marked Koocell's first step into the expanding digital advertising. Koocell has high confidence towards the development of push notification advertising in Hong Kong and the new business is expected to bring in revenue in the near future.

### *Venture Capital Business*

As of 30 September 2015, various funds and equity investments were held at fair market value of HK\$80,167,000 (31 March 2015: HK\$89,164,000) in the Group. During the period under review, as compared to same period last year, the venture capital business of the Group recorded a fair value loss on equity investments of HK\$13,849,000 (2014: HK\$29,820,000). At 30 September 2015, the Group retained 17.63% equity interest in Integrated Energy Limited. The management cautiously monitored the Venture Capital Business by reference to the world financial markets. Although global economy is volatile with uncertainties ahead, the Group will strive for satisfactory results for its venture capital business.

### *Prospect*

During the period under review, the market demand for mid to low-end smartphones continued to heat up, pushing more new launches of mid to low-end products with advanced performances, which in turn drives up the demand for the associated semiconductors. In view of the continued success of the Group's semiconductor distribution business, we are confident the Group will continue to enjoy the economic benefits from the growing smartphone market.

As mentioned earlier, the higher penetration of smartphone handsets, regardless of specifications and categories, has led to the continuous development of handsets related games and applications bringing the Group more business opportunities. After the business realignment of Koocell earlier this year, the Group has been working to focus resources on three major areas namely mobile applications, online advertising and game development. With the mobile business platform getting more established, the Group aims to launch more popular games and to achieve preliminary success in its first attempt in mobile advertising for bringing satisfactory business results in the near future.

## BUSINESS REVIEW AND PROSPECTS

While semiconductor distribution business continued to be the business driver and mobile business to bring the growth momentum, the Group is, on the other hand, actively seeking ways to further expand its consumer electronic product business, which enjoy synergic effects in terms of distribution network and sales force. Despite the economic turbulence, the Group believes functional personal gadgets and durable home electrical appliances are relatively less susceptible to market changes due to the stable demand. The Group is hoping to continuous invest into the consumer electronic product business in the coming future for sustainable business continuity.

The Group, by leveraging its leading position, goodwill and competitive advantage gained through its 20 years plus market track record, will continue to adopt prudent and practical development strategies, and by making good use of limited resources to develop various business segments for achieving sustainable growth and bringing satisfactory returns to shareholders.

### LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 30 September 2015 and 31 March 2015 and the corresponding gearing ratio are shown as follows:

	<b>30 September 2015</b>	31 March 2015
	<b>HK\$'million</b>	HK\$'million
Cash and cash equivalents	<b>51.3</b>	131.7
Equity investments at fair value through profit or loss	<b>80.2</b>	89.2
Cash and cash equivalents and equity investments	<b>131.5</b>	220.9
Borrowings and finance lease payables	<b>189.7</b>	350.8
Total equity	<b>660.8</b>	654.2
Total debt to total equity	<b>29%</b>	54%

As at 30 September 2015, the Group had cash and cash equivalents (i.e. cash and bank balances, deposits with other financial institution and unpledged time deposits) of HK\$51.3 million (31 March 2015: HK\$131.7 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$80.2 million (31 March 2015: HK\$89.2 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 2015 was 29% (31 March 2015: 54%), while the Group's total equity as at 30 September 2015 was HK\$660.8 million (31 March 2015: HK\$654.2 million), with the total balances of cash and cash equivalents and equity investments as at 30 September 2015 of HK\$131.5 million (31 March 2015: HK\$220.9 million).

## BUSINESS REVIEW AND PROSPECTS

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

The working capital position of the Group remains healthy. As at 30 September 2015, the liquidity ratio was 153% (31 March 2015: 138%).

	<b>30 September 2015</b>	31 March 2015
	<b>HK\$'million</b>	HK\$'million
Current assets	<b>375.4</b>	633.7
Current liabilities	<b>(245.0)</b>	(460.9)
Net current assets	<b>130.4</b>	172.8
Current assets to current liabilities (%)	<b>153%</b>	138%

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.

### *INTERIM DIVIDEND*

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: Nil).

### *EMPLOYEES*

As at 30 September 2015, the Group employed a total of approximately 222 (31 March 2015: approximately 229) 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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES***

As at 30 September 2015, 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 (Chapter 571 of the laws of Hong Kong) (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

### **Long position in the shares of the Company**

Name of director	Nature of capacity	Number of shares and nature of interests			Total	Approximate percentage of shareholding
		Personal interests	Spouse interests	Corporate interests		
Dr. So Yuk Kwan	Interest of controlled corporations	-	-	238,796,189 <i>(Note 1)</i>	238,796,189	30.89%
Dr. So Yuk Kwan	Beneficial owner	13,480,000	-	-	13,480,000	1.74%
Dr. Lui Ming Wah ("Dr. Lui"), <i>SBS, JP</i>	Interest of spouse	-	5,100,000 <i>(Note 2)</i>	-	5,100,000	0.66%

#### *Notes:*

- This represents the total number of shares held by B.K.S. Company Limited ("BKS") and Jade Concept Limited ("Jade Concept") respectively. Dr. So Yuk Kwan is deemed to be interested in 238,796,189 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.
- 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 5,100,000 shares of the Company.

## Long position in the underlying shares of the Company

Name of director	Nature of capacity	Number of underlying shares and nature of interests			Approximate percentage of shareholding
		Personal interests	Corporate interests	Total	
Dr. So Yuk Kwan	Beneficial owner	600,000 <i>(Note)</i>	-	600,000	0.08%

*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 2015, 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 2015 were as follows:

Name of Director	Number of share options					Outstanding as at 30 September 2015	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	Balance at 1 April 2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Dr. So Yuk Kwan	600,000	-	-	-	-	600,000	13/3/2013 – 12/3/2018	13/3/2013	HK\$0.435
Total	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>			

Other than disclosed above, as at 30 September 2015, 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 share option scheme.

## SHARE OPTION SCHEME

As at 30 September 2015, options to subscribe for shares of the Company which were granted to the directors and employee of the Group were as follows:

Name or category of participant	Number of share options					Outstanding as at 30 September 2015	Exercise period (both dates inclusive)	Date of grant	Exercise price per share
	Balance at 1 April 2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors	600,000	-	-	-	-	600,000	13/3/2013 – 12/3/2018	13/3/2013	HK\$0.435
Sub-Total	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>			
Employees	7,110,000	-	-	-	-	7,110,000	12/12/2014 – 11/12/2016	12/12/2014	HK\$0.519
Sub-Total	<u>7,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,110,000</u>			
Total	<u>7,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,710,000</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 2015, 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**

<b>Name of Shareholder</b>	<b>Nature of capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital as at 30 September 2015</b>
B.K.S. Company Limited ("BKS")	Beneficial owner	158,156,300 <i>(Note 1)</i>	20.46%
Jade Concept Limited ("Jade Concept")	Beneficial owner	80,639,889 <i>(Note 2)</i>	10.43%
Koh Business Groups Pte. Ltd.	Beneficial owner	61,836,000	8.00%
Yeung Kit Ling ("Madam Yeung")	Interest of spouse	252,276,189 <i>(Note 3)</i>	32.64%

#### *Notes:*

1. BKS is beneficially owned by Dr. So Yuk Kwan ("Dr. So"). By virtue of the SFO, Dr. So is deemed to be interested in 158,156,300 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 80,639,889 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 BKS and Jade Concept of the Company in which Dr. So has interested and 13,480,000 shares of the Company held by Dr. So directly.

## Long position in the underlying shares of the Company

<b>Name</b>	<b>Nature of capacity</b>	<b>Number of underlying shares held</b>	<b>Approximate percentage of issued share capital as at 30 September 2015</b>
Madam Yeung	Interest of spouse	600,000 <i>(Note)</i>	0.08%

*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 2015, 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 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 2015.

## **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 2015, except that for Dr. Lui, *SBS, JP*, an independent non-executive Director, the Company was informed that: (i) on 4 June 2015, during the period of 60 days immediately preceding 22 June 2015, the publication date of the annual results of the Company for the year ended 31 March 2015, the spouse of Dr. Lui acquired 1,498,000 shares of the Company; and (ii) on 3 July 2015 and 29 September 2015 respectively, without first notifying in writing the chairman and receiving a dated written acknowledgement in accordance with paragraph 8 of the Model Code, the spouse of Dr. Lui acquired 3,200,000 and 402,000 shares of the Company respectively (together, the "Incidents"). By reason of inadvertent oversight, Dr. Lui only became aware of the Incidents on or around early November 2015. While becoming aware of the Incidents, Dr. Lui notified the Company and informed Hong Kong Exchanges and Clearing Limited in writing and submitted the relevant notifications of interest in shares of listed corporation as required under the provisions of Part XV of the SFO.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Dr. Lui, *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 2015.

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

Hong Kong, 26 November 2015

*As at the date of this report, the Board comprises four executive Directors, Dr. So Yuk Kwan (Chairman), Mr. So Chi On, 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.*