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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

YEAR ENDED 31 MARCH 2023 ANNUAL RESULTS ANNOUNCEMENT

Statement of Profit or Loss Highlights

	2023 <i>HK\$'million</i>	2022 <i>HK\$'million</i>
Revenue		
– Semiconductor distribution	634.3	1,012.7
– Consumer product and product sourcing business	24.7	29.0
– Venture capital	–	–
– Others	1.0	0.7
	<u>660.0</u>	<u>1,042.4</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(26.9)	(26.6)
– Venture capital	(18.9)	11.3
– Semiconductor distribution	102.8	285.2
– Consumer product and product sourcing business	(15.1)	(6.9)
– Others	(2.0)	(6.4)
	<u>39.9</u>	<u>256.6</u>
Depreciation and amortisation	<u>(3.0)</u>	<u>(3.5)</u>
Profit for the year attributable to owners of the Company	<u>40.7</u>	<u>231.0</u>

	2023 <i>HK\$'million</i>	2022 <i>HK\$'million</i>
Statement of Financial Position Highlights		
Total assets	1,753.6	1,745.5
Total assets less current liabilities	1,627.9	1,637.1
Total equity	1,613.3	1,622.0
Borrowings and lease liabilities	20.1	7.6
Cash and cash equivalents	121.4	152.2
Financial assets at fair value through profit or loss (included in current assets)	11.9	28.4
	133.3	180.6
Total debt to total equity	1.2%	0.5%
Current assets to current liabilities	164.3%	238.7%
Cash and cash equivalents and financial assets at fair value through profit or loss (included in current assets) per share (HK\$)	0.15	0.20
Total equity per share (HK\$)	1.78	1.79

RESULTS

The Board of Directors (the “Board” or “Directors”) of AV Concept Holdings Limited (the “Company” or “AV Concept”) hereby announces the consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 March 2023, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	3	660,008	1,042,449
Cost of sales		<u>(655,725)</u>	<u>(1,004,696)</u>
Gross profit		4,283	37,753
Other income and gains	3	31,305	12,564
Changes in fair value of investment properties		(13,056)	7,415
Selling and distribution expenses		(16,579)	(10,172)
Administrative expenses		(58,652)	(61,450)
Impairment of financial assets, net	4	(10,421)	(33,021)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(14,120)	14,639
Other expenses, net	4	(931)	(313)
Finance costs	5	(461)	(87)
Share of profits and losses of:			
Joint ventures		123,783	272,128
Associates		<u>(4,310)</u>	<u>(3,422)</u>
PROFIT BEFORE TAX	4	40,841	236,034
Income tax	6	<u>(123)</u>	<u>(5,013)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>40,718</u>	<u>231,021</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		<u>HK4.48 cent</u>	<u>HK25.42 cent</u>
Diluted		<u>HK4.48 cent</u>	<u>HK25.42 cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2023*

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	40,718	231,021
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(3,986)</u>	<u>2,353</u>
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(3,986)</u>	<u>2,353</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>36,732</u>	<u>233,374</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets		34,693	29,743
Investment properties		124,828	136,665
Goodwill		–	–
Other intangible assets		3,485	3,485
Investments in joint ventures		1,355,041	1,266,363
Investments in associates		–	4,310
Financial assets at fair value through profit or loss	9	26,277	25,482
Prepayments and deposits		2,714	20,777
		<hr/>	<hr/>
Total non-current assets		1,547,038	1,486,825
CURRENT ASSETS			
Inventories		15,856	44,797
Trade receivables	10	9,116	8,599
Prepayments, deposits and other receivables		48,262	24,628
Financial assets at fair value through profit or loss	9	11,946	28,385
Tax recoverable		–	2
Cash and cash equivalents		121,371	152,228
		<hr/>	<hr/>
Total current assets		206,551	258,639
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	11	22,854	23,848
Contract liabilities		3,387	20,559
Lease liabilities		342	698
Interest-bearing bank borrowings		19,618	6,435
Tax payable		1,541	4,789
Financial guarantee obligation		77,959	52,032
		<hr/>	<hr/>
Total current liabilities		125,701	108,361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 March 2023

	2023	2022
	HK\$'000	HK\$'000
NET CURRENT ASSETS	80,850	150,278
TOTAL ASSETS LESS CURRENT LIABILITIES	1,627,888	1,637,103
NON-CURRENT LIABILITIES		
Lease liabilities	140	490
Deferred tax liabilities	14,412	14,575
Total non-current liabilities	14,552	15,065
Net assets	1,613,336	1,622,038
EQUITY		
Issued capital	90,866	90,866
Reserves	1,513,050	1,521,748
Equity attributable to owners of the Company	1,603,916	1,612,614
Non-controlling interests	9,420	9,424
Total equity	1,613,336	1,622,038

NOTES

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and investment properties which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. Since the Group does not have any sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2. 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 product and product sourcing business segment engages in the design, development and sale of consumer products 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 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, interest income from a loan to an associate, interest income from other receivables, rental income, share of profits and losses of joint ventures and associates, gain on disposal/impairment of items of property, plant and equipment, compensation income from termination of acquisition of an investment property, impairment of other intangible assets, impairment of a loan to an associate, impairment of amounts due from associates, changes in fair value of investment properties, finance costs and unallocated expenses are excluded from such measurement.

Segment assets exclude investment properties, investments in joint ventures and associates, a loan to an associate and amounts due from associates included in prepayments, deposits and other receivables, tax recoverable, 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, lease liabilities, interest-bearing bank borrowings, financial guarantee obligation and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2023					
Segment revenue					
Sales to external customers	634,273	24,686	–	1,049	660,008
Other losses	–	–	(13,906)	–	(13,906)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	634,273	24,686	(13,906)	1,049	646,102
Reconciliation:					
Add: Other losses (<i>note</i>)					13,906
					<hr/>
Revenue as presented in the consolidated statement of profit or loss					<u>660,008</u>
Segment results	(24,236)	(10,257)	(19,055)	(1,991)	(55,539)
Reconciliation:					
Bank interest income					596
Interest income from a loan to an associate					658
Interest income from other receivables					1,120
Rental income					4,537
Share of profits of joint ventures					123,783
Share of losses of associates					(4,310)
Gain on disposal of items of property, plant and equipment					21,807
Impairment of items of property, plant and equipment					(432)
Impairment of a loan to an associate					(7,620)
Impairment of amounts due from associates					(3,314)
Changes in fair value of investment properties					(13,056)
Unallocated expenses					(26,928)
Finance costs					(461)
					<hr/>
Profit before tax					<u>40,841</u>

2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2022					
Segment revenue					
Sales to external customers	1,012,713	29,001	–	735	1,042,449
Other revenue	–	–	15,358	–	15,358
Total	1,012,713	29,001	15,358	735	1,057,807
Reconciliation:					
Less: Other revenue (<i>note</i>)					(15,358)
Revenue as presented in the consolidated statement of profit or loss					<u>1,042,449</u>
Segment results					
Reconciliation:					
Bank interest income					21
Rental income					4,362
Share of profits of joint ventures					272,128
Share of losses of associates					(3,422)
Gain on disposal of items of property, plant and equipment					9
Compensation income from termination of acquisition of an investment property					4,434
Impairment of other intangible assets					(342)
Impairment of a loan to an associate					(364)
Changes in fair value of investment properties					7,415
Unallocated expenses					(26,646)
Finance costs					(87)
Profit before tax					<u>236,034</u>

Note: Other revenue/(losses) in segment revenue were classified as other income and gains, and fair value gains/(losses) on financial assets at fair value through profit or loss, net, in the consolidated statement of profit or loss.

2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2023					
Segment assets	551,553	77,971	12,787	2,704	645,015
Reconciliation:					
Elimination of intersegment receivables					(529,762)
Investments in joint ventures					1,355,041
Corporate and other unallocated assets					283,295
Total assets					<u>1,753,589</u>
Segment liabilities	33,516	269,454	185,782	79,764	568,516
Reconciliation:					
Elimination of intersegment payables					(529,762)
Corporate and other unallocated liabilities					101,499
Total liabilities					<u>140,253</u>
31 March 2022					
Segment assets	572,873	82,140	40,186	2,291	697,490
Reconciliation:					
Elimination of intersegment receivables					(536,578)
Investments in joint ventures					1,266,363
Investments in associates					4,310
Corporate and other unallocated assets					313,879
Total assets					<u>1,745,464</u>
Segment liabilities	39,754	253,458	207,232	78,209	578,653
Reconciliation:					
Elimination of intersegment payables					(536,578)
Corporate and other unallocated liabilities					81,351
Total liabilities					<u>123,426</u>

2. OPERATING SEGMENT INFORMATION (Continued)

Other segment information:

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2023					
Depreciation of items of property, plant and equipment	1,057	2	134	249	1,442
Depreciation of right-of-use assets	1,032	–	520	–	1,552
Reversal of provision for impairment of inventories	–	(915)	–	–	(915)
Reversal of impairment of trade receivables, net	–	(513)	–	–	(513)
Capital expenditure*	<u>9,550</u>	<u>15</u>	<u>–</u>	<u>–</u>	<u>9,565</u>
Year ended 31 March 2022					
Depreciation of items of property, plant and equipment	1,069	2	292	116	1,479
Depreciation of right-of-use assets	1,041	85	874	–	2,000
Amortisation of other intangible assets	5	–	–	–	5
Reversal of provision for impairment of inventories	–	(6,852)	–	–	(6,852)
Impairment/(reversal of impairment) of trade receivables, net	–	32,670	–	(13)	32,657
Impairment of items of property, plant and equipment	–	10	–	–	10
Impairment of right-of-use assets	515	–	–	–	515
Capital expenditure*	<u>98</u>	<u>12</u>	<u>–</u>	<u>666</u>	<u>776</u>

* Capital expenditure consists of additions to items of property, plant and equipment.

2. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Hong Kong	25,894	30,335
Singapore	634,114	1,011,722
Taiwan	—	392
	<u>660,008</u>	<u>1,042,449</u>

The revenue information above is based on the locations in which the sales originated.

(b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
Hong Kong	1,390,476	1,304,715
Mainland China	89,140	104,759
Singapore	38,431	31,092
	<u>1,518,047</u>	<u>1,440,566</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2023 HK\$'000	2022 HK\$'000
Customer A	74,438	N/A*
Customer B	N/A*	155,211
Customer C	N/A*	119,129
Customer D	N/A*	118,608

* Less than 10% of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Semiconductor distribution	634,273	1,012,713
Consumer product sales and product sourcing business	24,686	29,001
Others	1,049	735
	<u>660,008</u>	<u>1,042,449</u>

Other income and gains

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	596	21
Interest income on listed bond investments	8	564
Interest income from a loan to an associate	658	–
Interest income from other receivables	1,120	–
Dividend income from listed equity investments	53	11
Gain on disposal of items of property, plant and equipment	21,807	9
Rental income	4,537	4,362
Government grants (note)	792	668
Foreign exchange differences, net	762	281
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	146
Compensation income from termination of acquisition of an investment property	–	4,434
Others	972	2,068
	<u>31,305</u>	<u>12,564</u>

Note: There are no unfulfilled conditions on contingencies relating to these grants.

4. PROFIT BEFORE TAX

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

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Cost of inventories sold**		656,347	1,011,493
Reversal of provision for impairment of inventories**		(915)	(6,852)
Depreciation of items of property, plant and equipment		1,442	1,479
Depreciation of right-of-use assets		1,552	2,000
Amortisation of other intangible assets*		–	5
Impairment of financial assets, net			
Impairment of a loan to an associate		7,620	364
Impairment of amounts due from associates		3,314	–
Impairment/(reversal of impairment) of trade receivables	<i>10</i>	(513)	32,657
		10,421	33,021
Other expenses/(income), net:			
Impairment of other intangible assets		–	342
Impairment of investments in joint ventures		95,445	101,541
Gain on derecognition of financial guarantee obligation		(95,445)	(101,541)
Impairment of items of property, plant and equipment		432	10
Impairment of right-of-use assets		–	515
Gain on disposal of a subsidiary	<i>12</i>	–	(1,256)
Others		499	702
		931	313
Fair value (gains)/losses on financial assets at fair value through profit or loss, net		14,120	(14,639)
Gain on disposal of items of property, plant and equipment		(21,807)	(9)

* This balance is included in “Administrative expenses” on the face of the consolidated statement of profit or loss.

** These balances are included in “Cost of sales” on the face of the consolidated statement of profit or loss.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Interest on bank borrowings	418	9
Interest on lease liabilities	43	78
	461	87

6. 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 year (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Elsewhere		
Charge for the year	292	4,803
Deferred	<u>(169)</u>	<u>210</u>
Total tax charge for the year	<u><u>123</u></u>	<u><u>5,013</u></u>

7. DIVIDENDS

Dividends recognised as distribution during the year:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend declared and paid – HK\$0.01 (2022: HK\$0.01) per ordinary share	9,087	9,087
Final dividend declared and paid – HK\$0.04 (2022: HK\$0.03) per ordinary share	<u>36,347</u>	<u>27,260</u>
	<u><u>45,434</u></u>	<u><u>36,347</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2023 of HK\$0.01 (2022: final dividend in respect of the year ended 31 March 2022 of HK\$0.04) per share has been proposed by the directors and subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the number of ordinary shares of 908,663,302 (2022: 908,663,302) in issue during the year.

Certain subsidiaries of the Group issued share option to their employees and directors. No adjustment has been made to the Company's earnings per shares amounts presented for the years ended 31 March 2023 and 2022 in respect of these share options issued by the Company's subsidiaries as they had an antidilutive effect on the earnings per share amount presented. The Company had no other dilutive potential ordinary shares in issue for the current year.

The calculation of basic and diluted earnings per share is based on:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u><u>40,718</u></u>	<u><u>231,021</u></u>

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

The calculation of basic and diluted earnings per share is based on: (Continued)

	Number of shares	
	2023	2022
Shares		
Number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	908,663,302	908,663,302

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 HK\$'000	2022 HK\$'000
Listed equity investments		1,562	1,635
Listed bond investments	(a)	981	1,186
Equity investment traded over-the-counter	(b)	8,890	25,144
Unlisted equity investments	(c)	513	420
Key management insurance contracts	(d)	26,277	25,482
		38,223	53,867
Analysed for reporting purpose as:			
Current assets		11,946	28,385
Non-current assets		26,277	25,482
		38,223	53,867

The above listed equity investments, listed bond investments and an equity investment traded over-the-counter were classified as financial assets at fair value through profit or loss as they were held for trading.

The key management insurance contracts were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not irrevocably elected to classify the unlisted equity investments at fair value through other comprehensive income.

Notes:

- (a) The listed bond investments have coupon rates ranging from 0% to 8.75% (2022: 8.00% to 8.75%) per annum and maturity dates from 6 March 2023 to 31 January 2031 (2022: 28 September 2022 to 6 March 2023). Included in the amount was a listed bond of HK\$301,000 which was matured on 6 March 2023 and the directors considered that the amount of HK\$301,000 could be recovered.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

- (b) The Group had equity interest in Tooniplay Co., Ltd., which principally engaged in mobile game development business.
- (c) The Group has equity interests principally in Urban City Joint Stock Company, which principally engaged in e-commerce business in Vietnam.
- (d) As at 31 March 2023, the key management insurance contracts represented life insurance plans with investment elements relating to two members of key management personnel of the Group and the joint venture. The total sum insured is US\$15,800,000 (approximately HK\$122,800,000) (2022: US\$15,800,000 (approximately HK\$122,800,000)) with an annual minimum guaranteed return of 2%. Certain key management insurance contract of HK\$8,480,000 (2022: HK\$8,233,000) was pledged to secure general banking facilities granted to the Group as at 31 March 2023.

As at 31 March 2023, if the Group withdrew from the insurance contracts, the accounts value, net of surrender charges of US\$307,000 (approximately HK\$2,385,000) (2022: US\$324,000 (approximately HK\$2,517,000)), would be refunded to the Group. The amount of the surrender charges decreased over time and was no longer required from the 19th year of contract conclusion onwards.

10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	46,621	53,203
Impairment	<u>(37,505)</u>	<u>(44,604)</u>
	<u>9,116</u>	<u>8,599</u>

The Group's trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 to 45 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	8,407	7,814
1 to 2 months	318	44
2 to 3 months	5	96
3 to 12 months	213	327
Over 12 months	<u>173</u>	<u>318</u>
	<u>9,116</u>	<u>8,599</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	44,604	11,946
Impairment/(reversal of impairment) losses, net (<i>note 4</i>)	(513)	32,657
Written off	(6,586)	–
Exchange realignment	<u>–</u>	<u>1</u>
At end of year	<u>37,505</u>	<u>44,604</u>

11. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	5,708	4,277
Deposits received	1,260	1,320
Accrued expenses	15,886	18,251
	<u>22,854</u>	<u>23,848</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables:		
Current	3,780	2,587
1 to 30 days	39	26
31 to 60 days	2	7
Over 60 days	1,887	1,657
	<u>5,708</u>	<u>4,277</u>

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

12. DISPOSAL OF A SUBSIDIARY

2022
HK\$'000

Net liabilities disposed of:	
Property, plant and equipment	2
Cash and cash equivalents	546
Inventories	293
Trade receivables	684
Prepayments, deposits and other receivables	248
Trade payables, deposits received and accrued expenses	<u>(3,029)</u>
	(1,256)
Fair value of investment retained upon disposal	–
Gain on disposal of a subsidiary (<i>note 4</i>)	<u>1,256</u>
Satisfied by cash	<u><u>–*</u></u>

* This item was with amount less than a thousand.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary was as follows:

2022
HK\$'000

Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>(546)</u></u>
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BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the year ended 31 March 2023, with the comparative figures for the corresponding financial year of 2022.

	2023 <i>HK\$'million</i>	2022 <i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	634.3	1,012.7
Consumer product and product sourcing business	24.7	29.0
Venture capital	(13.9)	15.4
Others	1.0	0.7
	<u>646.1</u>	<u>1,057.8</u>
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	(26.9)	(26.6)
Venture capital	(18.9)	11.3
Semiconductor distribution	102.8	285.2
Consumer product and product sourcing business	(15.1)	(6.9)
Others	(2.0)	(6.4)
	<u>39.9</u>	<u>256.6</u>
<i>Depreciation and amortisation</i>		
Corporate	(0.2)	(0.1)
Venture capital	(0.7)	(1.2)
Semiconductor distribution	(2.1)	(2.1)
Consumer product and product sourcing business	–	(0.1)
	<u>(3.0)</u>	<u>(3.5)</u>
Total depreciation and amortisation		
Profit before interest and tax	40.7	236.0
Interest expenses	(0.5)	–
Bank interest income	0.6	–
	<u>40.8</u>	<u>236.0</u>
Profit before tax		
Income tax	(0.1)	(5.0)
	<u>40.7</u>	<u>231.0</u>
Profit for the year attributable to owners of the Company	<u>40.7</u>	<u>231.0</u>

BUSINESS REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Looking back at 2022, while major economies were gradually recovering from the pandemic and showing signs of improvement, certain challenges intensified inflationary pressures. These challenges included labor shortages, supply chain constraints, and the ongoing conflict between Russia and Ukraine. To address the rapid inflation and rebalance the overall demand in the financial markets, major European and American economies implemented tighter monetary policies and aggressively increased interest rates through multiple rounds of adjustments. Notably, the U.S. Federal Reserve took the lead in accelerating the pace of raising the federal funds rate. Throughout 2022, they raised interest rates consecutively for seven times. This move had a global impact, amplifying financing costs and debt pressures across the world. Unfortunately, several unfavourable factors persisted and hindered economic growth. Geopolitical tensions remained unresolved, high inflation persisted, and monetary policy tightened further. Moreover, Europe and the United States faced financial structural risks, and global supply chains required more time to recover.

During the year under review, the Group faced significant macroeconomic challenges, resulting in a decline in segment revenue. The Group's revenue amounted to HK\$646.1 million, representing a decrease of 38.9% compared to the previous year (2022: HK\$1,057.8 million). Among which, the semiconductor distribution business generated a turnover of HK\$634.3 million (2022: HK\$1,012.7 million). The consumer product and product sourcing business recorded a revenue of HK\$24.7 million (2022: HK\$29.0 million). The venture capital business experienced a loss of HK\$13.9 million (2022: a profit of HK\$15.4 million). Lastly, the internet social media business reported a revenue of HK\$1.0 million (2022: HK\$0.7 million).

Semiconductor Distribution Business

Gartner, an international research and consulting company, conducted a survey highlighting the challenges that the global semiconductor market faced in 2022. In early 2022, semiconductor manufacturers faced delays in delivering semiconductors due to equipment shortages, while rising costs hampered electronic equipment production in multiple industries. The second half of 2022 witnessed additional challenges, including high global inflation, aggressive interest rate hikes by the U.S. Federal Reserve, increased energy costs, and strict COVID-19 lockdown measures in mainland China and Hong Kong. These factors disrupted supply chains across different regions. Gartner's analysis revealed that the uncertain economic environment prompted consumers to reduce spending, leading to a decline in demand for personal computers and smartphones. Simultaneously, companies began cutting expenditures in response to the risk of a global economic recession, impacting the growth of the semiconductor market.

During the year under review, the consumer semiconductor market faced significant challenges due to a decline in global demand for smartphones. According to the data compiled by the International Data Corporation (“IDC”), a leading market research organization, global smartphone sales experienced a sharp drop in 2022. Sales declined by 11.3% compared to the previous year, with total sales reaching 1.21 billion units. This decline was primarily attributed to factors such as inflation and an uncertain economic outlook.

The IDC mobile phone quarterly tracking report revealed a year-on-year decrease in global smartphone shipments throughout each quarter of 2022. In the first and second quarter, global smartphone shipments decreased by 8.9% and 8.7% respectively. In the third quarter, global smartphone shipments fell by 9.7% compared to the previous year, reaching 301,900,000 units. This decline represented the largest drop ever recorded in the third quarter. The fourth quarter of the same year witnessed even more substantial challenges, with global smartphone shipments totalling approximately 300,300,000 units. This figure marked an 18.3% year-on-year decline, representing the largest single-quarter decline in history.

In 2022, much of the world emerged from the shadow of the pandemic and began to transition towards a sense of normalcy. In Mainland China, the strict pandemic prevention and control measures started to ease in December 2022. However, the local economy and consumer spending levels, which had been largely paralyzed in the past, still required time to fully recover. The overall recovery of the consumer market for semiconductor-related products encountered obstacles due to the dampened sentiments towards non-essential consumption.

During the year under review, the Group’s semiconductor distribution business recorded a revenue of HK\$634.3 million (2022: HK\$1,012.7 million) which came mainly from its Singapore subsidiary that focuses on Southeast Asian countries such as India, Malaysia and Vietnam. Memory chips are the main product sold to the Singapore market followed by thin film transistor liquid crystal displays and panels which are widely used in LCD televisions. Due to the prevailing market conditions of excessive customer electronics supply, the inventory of semiconductor components experienced a significant surge. Consequently, this has contributed to a decline in the Group’s gross profit during the year under review.

During the year under review, the revenue of the Group’s joint venture AVP Electronics Limited and its subsidiaries (“AVPEL Group”) was not included in the Group’s consolidated financial statements. It recorded a revenue of HK\$19,270 million (2022: HK\$26,279 million). Compared to the previous year, the Group’s share of profit in AVPEL Group decreased, mainly due to a decline in revenue for AVPEL Group during the year under review. AVPEL Group’s main customers are China’s major mobile phone manufacturers and component suppliers. AVPEL Group primarily engages in distribution of Samsung Electronics including CMOS image sensors and multi-layer packaged chips.

Consumer Product and Product Sourcing Business

The overall operation of the Group's consumer product and product sourcing business is mainly managed by one of its subsidiaries, AVC Technology (International) Limited, which distributes a wide range of electronic products, ranging from small home appliances to the latest fashionable technology gadgets, with a view to improving the customers' quality of life and cater for their needs. The consumer product and product sourcing business targets at various markets including Hong Kong, Singapore, Thailand and Indonesia.

During the year under review, the Group's consumer product and product sourcing business recorded a revenue of HK\$24.7 million (2022: HK\$29.0 million). The consumer retail market in Hong Kong faced ongoing challenges throughout the year. The pandemic situation persisted, leading to the implementation of strict social distancing measures for the majority of 2022. Furthermore, the Hong Kong consumer retail market continued to be severely affected by restrictions on international shipping and the closure or limited operation of major cross-border ports with Mainland China.

In the Southeast Asian market, the sharing economy, e-commerce, the reopening of borders, the recovery of online travel platforms, and the increased demand for digital services have been driving the rapid growth of digital economic activities in the region. According to a report titled "Purchasing and Payment Methods in Southeast Asia in 2022: New Opportunities, Connections, and Risks" by global payment platform 2C2P and the Merchant Risk Council, the pandemic has accelerated industry digitization, and Southeast Asia is projected to surpass the \$300 billion mark by 2026.

The "2022 Southeast Asia Digital Economy Report," jointly compiled by Google, Singapore's Temasek Holdings, and Bain Strategy Consulting, further emphasizes the growth potential of the digital economy in the region. It predicts that the gross merchandise value ("GMV") of the six major Southeast Asian economies, including Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, will reach \$200 billion in 2022, representing a 20% year-on-year increase. The report also anticipates steady growth in the Southeast Asian digital economy, with the GMV projected to account for 14% of consumer payments in the region by 2026, a 133% increase from 2021. Moreover, the report highlights that the digital economy's growth rate in Southeast Asia will be twice that of the region's GDP, potentially reaching a staggering \$1 trillion by 2030 as online shopping becomes the norm.

Following the accelerated digitalization triggered by the pandemic, the rate of digital adoption has normalized in recent years. Major digital manufacturers are now shifting their focus from acquiring new customers to deepening engagement with existing customers to enhance usage and value. The ongoing expansion of e-commerce activities in the region maintains an optimistic outlook for the overall consumer electronics market. Steady growth is expected in Southeast Asian e-commerce activities.

In response to these trends, the Group will continue to effectively deploy and leverage resources related to the consumer product and product sourcing business. This strategic approach aims to prepare for the post-pandemic recovery and the revival of the local consumer market, serving a broader range of users both offline and online while delivering high-quality and reliable services.

Internet Social Media Business

During the year under review, revenue from 830 Media Limited was HK\$1.0 million (2022: HK\$0.7 million), mainly contributed by 830 Lab Limited (“830 Lab”).

830 Lab is dedicated to helping its clients to promote their brands and businesses online. 830 Lab offers not only web design and development services, but also online content creation services including filming, photography and post-production.

The Group will continue to review and deploy its existing brand resources, and draw on its experience in operational strategy to manage the Internet social media business. The Group will pay close attention to the latest industry developments.

Venture Capital Business

During the year under review, the Group’s venture capital business recorded a loss of HK\$13.9 million (2022: a profit of HK\$15.4 million), mainly due to fair value gains/(losses) on financial assets at fair value through profit or loss, net, interest income on listed bond investments, and dividend income from listed equity investments in the current year. As of 31 March 2023, listed and unlisted equity investments, listed bond investments, over-the-counter equity investment and key management insurance contracts were held at a fair market value of HK\$38.2 million (31 March 2022: HK\$53.9 million) by the Group. During the year under review, the Group’s venture capital business recorded a fair value loss on financial assets at fair value through profit or loss, net of HK\$14.1 million (2022: fair value gain of HK\$14.6 million).

The venture capital business has always contributed considerable income for the Group. The ultimate objective for these investments is to make capital gains on investee’s equity listings or, in some circumstances, prior to listing.

On 31 March 2023, the Group’s major strategic investments included investments in Tooniplay Co., Ltd. and Urban City Joint Stock Company. Tooniplay Co., Ltd. is a Korean-based mobile game developer, and Urban City Joint Stock Company is a Vietnamese e-commerce company.

Prospect

The global economy continues to face uncertainties in 2023 due to challenges witnessed in 2022, such as rising inflation, aggressive interest rate hikes by central banks, and geopolitical tensions. These factors have resulted in significant volatility and adjustments across various asset classes, further exacerbating the challenges within the overall economic landscape. With inflation remains high, and the financial industry's outlook continues to raise concerns, these factors contribute to the possibility of a slowdown in the global economic growth.

The “April 2023 World Economic Outlook” report from the International Monetary Fund predicts a drop in global economic growth rate from 3.4% in 2022 to 2.8% in 2023. Notably, developed economies are expected to experience a more pronounced slowdown, with their growth rate projected to decline from 2.7% in 2022 to 1.3% in 2023. The United Nations also anticipates low global economic growth in 2023. According to the United Nations “World Economic Situation and Prospects for Mid-Term 2023” report, the prospects for a strong recovery in the global economy are dim amid rising inflation, interest rates, and increasing uncertainties.

Furthermore, the persistence of trade protectionism and the lingering impacts of the ongoing pandemic have yet to be fully resolved. The fiscal and monetary policies implemented by various countries, especially major economies, in response to the pandemic have introduced further uncertainty to the political and economic environment, thus posing challenges to the global economic growth momentum.

The global semiconductor industry is expected to face challenges in the macroeconomic environment. According to the World Semiconductor Trade Statistics Organization, it is projected that the global semiconductor market will experience a year-on-year decline of 4.1%, reaching approximately US\$557 billion in 2023. This marks the first negative growth in four years. However, despite this short-term decline, the long-term prospects for the semiconductor industry remain strong, and there is generally optimistic sentiment regarding the revenue growth of semiconductor.

Despite being a vital component of the global interconnected economy and supporting various industries' application development, the semiconductor industry must proactively pursue diversified growth strategies and adapt flexibly to meet ever-changing market demands. By embracing these challenges, the industry can position itself for continued success in the dynamic and interconnected global marketplace.

The Group remains committed to prioritizing the development of its core business in semiconductor distribution. It will diligently monitor the latest industry trends, consolidate and expand its existing operations, and remain attentive to emerging opportunities within the industry. By doing so, the Group aims to identify and pursue new avenues for business growth.

Meanwhile, the outbreak of the pandemic resulted in a significant surge in growth for the e-commerce and digital financial industries. Even after the initial wave of the pandemic subsided, these sectors continued to witness steady development. The change in consumer behaviour during the pandemic led to a notable shift towards online shopping, prompting the e-commerce industry and its related digital payment and financial services to further mature and expand.

Southeast Asia has emerged as a crucial market for e-commerce, attracting the attention of Chinese consumer electronics companies seeking overseas expansion. According to the “White Paper on Export of Home Appliances and 3C Products” published by Meta, Southeast Asia is increasingly becoming a focal point for these companies. Among consumer products, high-value categories such as household appliances, computers, and accessories are expected to present significant opportunities in the cross-border electronic product market this year. Additionally, consumer electronics companies offering diversified lifestyle categories, including fashion and other related segments, are likely to stimulate multi-level consumer demand.

With its extensive experience and accumulated resources in the consumer product business, serving as an agent for a wide range of electronic products, small home appliances, and cutting-edge technology products, the Group is well-equipped to capitalize on the opportunities presented by e-commerce development. Further, the Group has dedicated significant efforts towards expanding its e-commerce presence in Southeast Asia over the past few years, particularly in Indonesia, through its associated companies. As a result, the operational foundation gradually stabilized. We are optimistic that these endeavours will yield substantial advantages for the Group’s consumer product and product sourcing business in the foreseeable future.

The global and local macroeconomic landscape remains fraught with challenges that are increasingly complex and unpredictable. Structural issues within the macroeconomy, the ongoing impact of the pandemic, and the escalating concerns surrounding climate change have all contributed to a deteriorating outlook for global economic growth. In response to this evolving environment, the Group is committed to investing significant resources in addressing these challenges with agility and scalability across its people, operations, and technology.

Relying on prudent development strategies and industry leadership, the Group will meet every challenge and strive to achieve stable growth – consolidating its market position, maintaining its competitive advantages, and remaining steadfast in delivering reasonable returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position and the gearing ratio as at 31 March 2023 are shown as follows:

	2023 <i>HK\$'million</i>	2022 <i>HK\$'million</i>
Cash and cash equivalents	121.4	152.2
Financial assets at fair value through profit or loss (included in current assets)	11.9	28.4
	133.3	180.6
Borrowings and lease liabilities	20.1	7.6
Total equity	1,613.3	1,622.0
Total debt to total equity	1.2%	0.5%

As at 31 March 2023, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institutions) of HK\$121.4 million (31 March 2022: HK\$152.2 million), while the Group's financial assets at fair value through profit or loss (included in current assets) amounted to HK\$11.9 million (31 March 2022: HK\$28.4 million). The equity investments and 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 31 March 2023 was 1.2% (31 March 2022: 0.5%), while the Group's total equity as at 31 March 2023 was HK\$1,613.3 million (31 March 2022: HK\$1,622.0 million), with the total balances of cash and cash equivalents, and equity investments and financial assets at fair value through profit or loss (included in current assets) as at 31 March 2023 of HK\$133.3 million (31 March 2022: HK\$180.6 million).

The working capital position of the Group remains healthy. As at 31 March 2023, the liquidity ratio was 164% (2022: 239%).

	2023	2022
	<i>HK\$'million</i>	<i>HK\$'million</i>
Current assets	206.6	258.6
Current liabilities	(125.7)	(108.4)
Net current assets	80.9	150.2
Current assets to current liabilities	164%	239%

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 31 March 2023, the Group recorded financial assets at fair value through profit or loss of approximately HK\$38.2 million (31 March 2022: HK\$53.9 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 9 in the consolidated statement of financial position. For the performance during the year 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 27 of this annual results announcement.

DIRECTORS’ SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for a term of one year, and each of the independent non-executive directors has entered into a letter of appointment with the Company for a term of one year.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PLEDGE OF ASSETS

Certain of the Group’s financial assets at fair value through profit or loss have been pledged to secure the bank facilities granted to the Group.

COMMITMENT

As at 31 March 2023, the Group has commitment of SGD1,824,000 (equivalent to approximately HK\$10,776,000) to pay to an independent third party for an acquisition of an investment property in Singapore.

EMPLOYEES

As at 31 March 2023, the Group employed a total of approximately 138 (31 March 2022: approximately 137) 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. Discretionary bonuses may granted based on the Group's and individual's performances.

EVENT AFTER THE REPORTING PERIOD

On 9 June 2023, the Group entered an Option to Purchase with an independent third party to purchase an investment property situated in Singapore for a cash consideration of SGD1,100,000 (equivalent to approximately HK\$6,499,000).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2023, except for the deviation of code provision C.2.1 of the Corporate Governance Code as expressly below:

Code provision C.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 year, 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 C.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2023.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee, comprising three independent non-executive Directors, namely Dr. Lui Ming Wah, *PhD, SBS, JP*, Mr. Charles Edward Chapman and Mr. Lai Yat Hung Edmund, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the consolidated financial statements for the year ended 31 March 2023.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.01 (2022: HK\$0.04) per share for the year ended 31 March 2023 which is subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

The proposed final dividend, if approved at the forthcoming annual general meeting to be held on Monday, 4 September 2023, will be payable on Wednesday, 27 September 2023 to shareholders whose names appear on the registrar of members of the Company on Monday, 11 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled on Monday, 4 September 2023. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 30 August 2023 to Monday, 4 September 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 29 August 2023.

In order to determine the list of shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2023, the Company's register of members will be closed from Friday, 8 September 2023 to Monday, 11 September 2023, both days inclusive. Shareholders are reminded that in order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 September 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and at the website of the Company at www.avconcept.com. An annual report for the year ended 31 March 2023 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By order of the board of
AV CONCEPT HOLDINGS LIMITED
So Yuk Kwan
Chairman

Hong Kong, 23 June 2023

As at the date of this announcement, 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, PhD, SBS, JP, Mr. Charles Edward Chapman and Mr. Lai Yat Hung Edmund.