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# AV CONCEPT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 595)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### Statement of Profit or Loss Highlights

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

## Statement of Financial Position Highlights

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

## UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board” or “Directors”) of AV Concept Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended	
		30 September 2019	30 September 2018
	NOTES	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>725,723</b>	978,399
Cost of sales		<u>(708,066)</u>	<u>(959,775)</u>
Gross profit		<b>17,657</b>	18,624
Other income and gains	4	<b>5,775</b>	6,950
Selling and distribution expenses		<b>(7,503)</b>	(8,544)
Administrative expenses		<b>(40,443)</b>	(38,501)
Fair value losses on financial assets at fair value through profit or loss, net		<b>(1,199)</b>	(5,589)
Other expenses, net		<b>(1,487)</b>	(2,852)
Finance costs	5	<b>(2,539)</b>	(3,605)
Share of profits and losses of:			
Joint ventures		<b>80,657</b>	94,049
Associates		<u>(187)</u>	<u>–</u>
<b>Profit before tax</b>	6	<b>50,731</b>	60,532
Income tax	7	<u>(156)</u>	<u>(209)</u>
<b>Profit for the period</b>		<u><b>50,575</b></u>	<u>60,323</u>
Attributable to:			
Owners of the Company		<b>52,293</b>	60,690
Non-controlling interests		<u>(1,718)</u>	<u>(367)</u>
		<u><b>50,575</b></u>	<u>60,323</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	9		
Basic		<u><b>HK\$0.058</b></u>	<u>HK\$0.067</u>
Diluted		<u><b>HK\$0.058</b></u>	<u>HK\$0.067</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2019**

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

### 1. BASIS OF PREPARATION

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

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

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

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

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

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

#### HKFRS 16 *Leases*

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

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

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

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

#### *New definition of a lease*

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

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

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

##### *Nature of the effect of adoption of HKFRS 16*

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

##### *Impacts on transition*

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

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

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



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

### HKFRS 16 *Leases (Continued)*

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

#### *Impacts on transition (Continued)*

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

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

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

	<b>Increase/(decrease)</b> <i>HK\$'000</i> (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	6,028
Decrease in property, plant and equipment	(5,285)
Decrease in prepayments, deposits and other receivables	(659)
	<hr/>
Increase in total assets	84
	<hr/> <hr/>
<b>Liabilities</b>	
Increase in lease liabilities	4,243
Decrease in finance lease payables	(4,159)
	<hr/>
Increase in total liabilities	84
	<hr/> <hr/>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

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

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

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

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

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

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

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

#### *Lease liabilities*

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

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

## **3. OPERATING SEGMENT INFORMATION**

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

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer electronic product and brand omni-channel business segment engages in the design, development and sale of electronic products, and brand management, brand licensing and product sourcing services;

### 3. OPERATING SEGMENT INFORMATION (Continued)

- (c) the venture capital segment engages in the investments in listed/unlisted equity and debt investments with an ultimate objective of obtaining capital gains on investee's equity listing or, in some circumstances, prior to listing. It also includes investments in real estate, managed funds, convertible bonds and listed bonds; and
- (d) the others segment mainly comprises the Group's internet social media business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, rental income, share of profits and losses of joint ventures and associates, impairment of other receivables, finance costs and unallocated expenses are excluded from such measurement.

Information regarding the above segments is reported below.

#### Six months ended 30 September 2019 (Unaudited)

	Semiconductor distribution <i>HK\$'000</i>	Consumer electronic product and brand omni- channel business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	677,230	46,829	–	1,664	725,723
Other revenue	–	–	1,089	–	1,089
Total	677,230	46,829	1,089	1,664	726,812
Reconciliation:					
Less: Other revenue ( <i>note</i> )					(1,089)
Revenue as presented in the condensed consolidated statement of profit or loss					<u>725,723</u>
Segment results	(452)	(9,811)	(1,850)	(4,611)	(16,724)
Reconciliation:					
Bank interest income					185
Rental income					2,609
Share of profits of joint ventures					80,657
Share of losses of associates					(187)
Unallocated expenses					(13,270)
Finance costs					(2,539)
Profit before tax					<u>50,731</u>

### 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 September 2018 (Unaudited)

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

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

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	Semiconductor distribution <i>HK\$'000</i>	Consumer electronic product and brand omni- channel business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Period ended 30 September 2019 (unaudited)</b>					
<b>Segment assets</b>	<b>663,811</b>	<b>132,359</b>	<b>134,868</b>	<b>4,752</b>	<b>935,790</b>
Reconciliation:					
Elimination of intersegment receivables					(494,653)
Investments in joint ventures					768,817
Investments in associates					1,511
Corporate and other unallocated assets					126,500
Total assets					<u><u>1,337,965</u></u>
<b>Segment liabilities</b>	<b>43,173</b>	<b>225,322</b>	<b>226,180</b>	<b>58,555</b>	<b>553,230</b>
Reconciliation:					
Elimination of intersegment payables					(494,653)
Corporate and other unallocated liabilities					133,817
Total liabilities					<u><u>192,394</u></u>
<b>Year ended 31 March 2019 (audited)</b>					
<b>Segment assets</b>	<b>624,028</b>	<b>120,013</b>	<b>155,963</b>	<b>6,311</b>	<b>906,315</b>
Reconciliation:					
Elimination of intersegment receivables					(453,664)
Investments in joint ventures					723,034
Investments in associates					1,698
Corporate and other unallocated assets					139,635
Total assets					<u><u>1,317,018</u></u>
<b>Segment liabilities</b>	<b>52,022</b>	<b>200,834</b>	<b>204,385</b>	<b>54,906</b>	<b>512,147</b>
Reconciliation:					
Elimination of intersegment payables					(453,664)
Corporate and other unallocated liabilities					142,942
Total liabilities					<u><u>201,425</u></u>

#### 4. REVENUE, OTHER INCOME AND GAINS

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

##### Revenue

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

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

*For the six months ended 30 September 2019 (Unaudited)*

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

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

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

For the six months ended 30 September 2018 (Unaudited)

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

##### Other income and gains

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

## 5. FINANCE COSTS

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

## 6. PROFIT BEFORE TAX

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

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

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (for the six months ended 30 September 2018: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

## 8. DIVIDEND

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



## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 908,663,302 (for the six months ended 30 September 2018: 910,740,929) in issue during the period.

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

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

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

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

## 11. TRADE RECEIVABLES

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

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:

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

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

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

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

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

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

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

## BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2019, with the comparative figures for the corresponding six months period of 2018.

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

## **BUSINESS REVIEW**

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

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

### **Semiconductor Distribution Business**

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

During the period under review, the semiconductor distribution business recorded a turnover of HK\$677.2 million (2018: HK\$926.6 million). Among them, Singapore remained as the main market of the Group, contributing approximately HK\$671.3 million, followed by Hong Kong with turnover of approximately HK\$5.9 million. The main products sold to the Singapore market are memory chips and thin film transistor liquid crystal displays, which are widely used in smartphones and LCD televisions. As the overall economy of Singapore is improving, the semiconductor distribution business will also maintain stable growth.

During the period under review, the joint venture of the Group, AVP Electronics Limited and its subsidiaries (“AVPEL Group”), continued to record satisfactory results. Its turnover, though not being consolidated into the Group’s consolidated financial statements, recorded 17.8% decrease to HK\$11,735 million (2018: HK\$14,281 million). The share of profit from

AVPEL Group by the Group is remained steady when compare to prior period. The main customers of AVPEL Group are China's major mobile phone manufacturers and mobile phone component suppliers. AVPEL Group mainly engaged in the distribution of Samsung Electronics including (i) CMOS image sensors (ii) multi-layer packaged chips, and (iii) ARM processors.

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

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

The Group's consumer electronic product and brand omni-channel business was started in year 2008 under the subsidiary of Signeo Design International Limited ("Signeo Design"). In addition to the original three major businesses namely brand management, brand licensing and product procurement, it also actively provides online and offline omni-channel service. During the period under review, the consumer electronic product business to be operated by Signeo Design, plus the brand omni-channel business, which was joined by a new team from a number of countries in Southeast Asia and under the operation of E-GoGo Limited ("E-GoGo"), recorded a turnover of HK\$46.8 million (2018: HK\$47.4 million).

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

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

even offline smart stores. The Group is committed to technology development and solution providers for leading brands of e-commerce business partners in Southeast Asia markets aiming to advance and accommodate businesses to grow and be known by the public.

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

### **Internet Social Media Business**

During the period under review, revenue from 830 Media Limited ("830 Media") was HK\$1.7 million (2018: HK\$4.4 million), which was contributed from 830 Lab Limited ("830 Lab") and Whizoo Media Limited ("Whizoo Media").

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

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

### **Venture Capital Business**

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

The venture capital business has always brought considerable income to the Group. The ultimate objective for investments in venture capital business is to obtain capital gains on investee's equity listing or, in some circumstances, prior to listing. It also includes investments in real estate, managed funds, convertible bonds and listed bonds.

As at 30 September 2019, the Group owned small strategic investments in Mad Runway Holdings Limited, Luxury Choice Investments Limited and Urban City Joint Stock Company. Mad Runway Holdings Limited is a member of the ELLE family, which is dedicated to creating the most authoritative one-stop fashion shopping platform, while Luxury Choice Investments Limited is one of the world's leading fast-growing custom watch brands and Urban City Joint Stock Company is an e-commerce company in Vietnam.

### **Prospects**

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



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

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 September 2019, the Group had cash and cash equivalents (i.e., cash and bank balances and deposits with other financial institutions) of HK\$93.8 million (31 March 2019: HK\$106.0 million), while the Group's financial assets at fair value through profit or loss included in current assets amounted to HK\$100.2 million (31 March 2019: HK\$117.6 million). The financial assets at fair value through profit or loss included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 30 September 2019 was 6% (31 March 2019: 7%), while the Group's total equity as at 30 September 2019 was HK\$1,145.6 million (31 March 2019: HK\$1,115.6 million), with the total balances of cash and cash equivalents, and financial assets at fair value through profit or loss as at 30 September 2019 of HK\$194.0 million (31 March 2019: HK\$223.6 million).

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

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

Management is confident that the Group follows a prudent policy in managing its treasury position, and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

## **SIGNIFICANT INVESTMENTS**

As at 30 September 2019, the Group recorded financial assets at fair value through profit or loss of approximately HK\$123.3 million (31 March 2019: HK\$140.8 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 10 in condensed consolidated statement of financial position. For the performance during the period and future prospects of financial assets at fair value through profit or loss, please refer to the section “Business Review – Venture Capital Business” on page 24 of this announcement.

## **INTERIM DIVIDEND**

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

## **EMPLOYEES**

As at 30 September 2019, the Group employed a total of approximately 188 (31 March 2019: approximately 205) full-time employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates share option schemes for eligible employees to provide incentive to the participants for their contribution and continuing efforts to promote the interests of the Group. Share options and discretionary bonuses are granted based on the Group’s and individual’s performances.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

In the opinion of the Board of Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 September 2019, except for the deviation of code provision A.2.1 of the Corporate Governance Code as express below:

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code 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 2019.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles E. Chapman and Mr. Wong Ka Kit. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed financial reporting process and internal control matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2019.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.avconcept.com](http://www.avconcept.com) respectively. The interim report will be despatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

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

Hong Kong, 27 November 2019

*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, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.*