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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

YEAR ENDED 31 MARCH 2019 ANNUAL RESULTS ANNOUNCEMENT

Statement of Profit or Loss Highlights

	2019 HK\$'million	2018 HK\$'million
Revenue		
– Semiconductor distribution	1,602.4	1,592.1
– Consumer electronic product and brand omni-channel business	88.5	66.9
– Venture capital	–	0.8
– Others	7.9	3.1
	<u>1,698.8</u>	<u>1,662.9</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(26.0)	(34.3)
– Venture capital	(28.1)	47.9
– Semiconductor distribution	154.5	161.5
– Consumer electronic product and brand omni-channel business	(20.4)	(4.7)
– Others	(10.1)	(10.1)
	<u>69.9</u>	<u>160.3</u>
Depreciation and amortisation	<u>(4.3)</u>	<u>(3.6)</u>
Profit for the year attributable to:		
Owners of the Company	57.3	163.3
Non-controlling interests	(2.1)	(0.4)
	<u>55.2</u>	<u>162.9</u>
Statement of Financial Position Highlights		
Total assets	1,317.0	1,405.8
Total assets less current liabilities	1,132.5	1,106.9
Total equity	1,115.6	1,086.7
Borrowings and finance lease payables	76.5	136.6
Cash and cash equivalents	106.0	233.9
Equity investments at fair value through profit or loss	–	99.3
Financial assets at fair value through profit or loss included in current asset	<u>117.60</u>	<u>–</u>
	<u>223.6</u>	<u>333.2</u>
Total debt to total equity	7%	13%
Current assets to current liabilities	215%	195%
Cash and cash equivalents, equity investments and financial assets at fair value through profit or loss per share (HK\$)	0.25	0.36
Total equity per share (HK\$)	1.23	1.18

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 2019, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
REVENUE	3	1,698,796	1,662,878
Cost of sales		<u>(1,673,533)</u>	<u>(1,623,512)</u>
Gross profit		25,263	39,366
Other income and gains	3	14,737	14,042
Changes in fair value of investment properties		1,515	6,716
Selling and distribution expenses		(17,684)	(12,526)
Administrative expenses		(81,736)	(83,419)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss			
– held for trading		–	555
– designated as such upon initial recognition		–	(59,164)
Fair value losses on financial assets at fair value through profit or loss, net		(28,501)	–
Gain on disposal of an available-for-sale investment		–	128,918
Other expenses, net		(17,861)	(26,708)
Finance costs	5	(6,478)	(4,737)
Share of profits and losses of:			
Joint ventures		166,655	160,199
Associates		(303)	448
PROFIT BEFORE TAX	4	55,607	163,690
Income tax	6	(414)	(801)
PROFIT FOR THE YEAR		<u>55,193</u>	<u>162,889</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*Year ended 31 March 2019*

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		57,278	163,267
Non-controlling interests		(2,085)	(378)
		55,193	162,889
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK6.30 cent	HK17.61 cent
Diluted		HK6.30 cent	HK17.60 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
PROFIT FOR THE YEAR	55,193	162,889
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	–	(17,651)
Release of revaluation reserve upon disposal of an available-for-sale investment	–	(128,918)
	–	(146,569)
Exchange differences on translation of foreign operations	(4,483)	7,658
NET OTHER COMPREHENSIVE LOSS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(4,483)	(138,911)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	50,710	23,978
Attributable to:		
Owners of the Company	52,818	24,356
Non-controlling interests	(2,108)	(378)
	50,710	23,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		39,594	46,055
Investment properties		125,798	125,673
Goodwill		–	–
Other intangible assets		4,234	4,160
Investments in joint ventures		723,034	619,544
Investments in associates		1,698	1,148
Available-for-sale investments		–	22,353
Financial assets at fair value through profit or loss	9	23,110	–
Deposits		2,178	198
Pledged time deposits		–	2,623
		<hr/>	<hr/>
Total non-current assets		919,646	821,754
CURRENT ASSETS			
Inventories		62,219	160,176
Trade receivables	10	70,937	67,967
Due from associates		115	359
Prepayments, deposits and other receivables		40,462	22,389
Equity investments at fair value through profit or loss	11	–	99,265
Financial assets at fair value through profit or loss	9	117,648	–
Tax recoverable		2	2
Cash and cash equivalents		105,989	233,887
		<hr/>	<hr/>
Total current assets		397,372	584,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 March 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	12	48,159	128,338
Contract liabilities		16,298	–
Interest-bearing bank borrowings		72,366	129,658
Finance lease payables		1,439	820
Tax payable		126	494
Financial guarantee obligation		46,160	39,575
		<hr/>	<hr/>
Total current liabilities		184,548	298,885
		<hr/>	<hr/>
NET CURRENT ASSETS		212,824	285,160
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,132,470	1,106,914
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		–	4,441
Finance lease payables		2,720	1,726
Deferred tax liabilities		14,157	14,021
		<hr/>	<hr/>
Total non-current liabilities		16,877	20,188
		<hr/>	<hr/>
Net assets		1,115,593	1,086,726
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital		90,866	92,315
Reserves		1,010,615	981,804
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,101,481	1,074,119
Non-controlling interests		14,112	12,607
		<hr/>	<hr/>
Total equity		1,115,593	1,086,726
		<hr/> <hr/>	<hr/> <hr/>

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 equity investments and financial assets at fair value through profit or loss, certain available-for-sale investments 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 2019. 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 new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised HKFRS has had no significant financial effect on these consolidated financial statements.

- (a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	HKAS 39 measurement		Reclassification HK\$'000	HKFRS 9 measurement	
	Category	Amount HK\$'000		Amount HK\$'000	Category
Financial assets					
Available-for-sale investments	AFS ¹	22,353	(22,353)	–	N/A
To: Financial assets at fair value through profit or loss (Note)			(22,353)		
Equity investments at fair value through profit or loss	FVPL ²	99,265	(99,265)	–	N/A
To: Financial assets at fair value through profit or loss (Note)			(99,265)		
Financial assets at fair value through profit or loss	N/A	–	121,618	121,618	FVPL (mandatory)
From: Available-for-sale investments (Note)			22,353		
From: Equity investments at fair value through profit or loss (Note)			99,265		
		121,618	–	121,618	

¹ AFS: Available-for-sale investments

² FVPL: Financial assets at fair value through profit or loss

Note: The Group has classified its investments previously classified as available-for-sale investments and equity investments at fair value through profit or loss as financial assets measured at fair value through profit or loss as these investments did not pass the contractual cash flow characteristics test in HKFRS 9 or they were held for trading.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits HK\$'000
Fair value reserve under HKFRS 9 (available-for-sale investments revaluation reserve under HKAS 39)	
Balance as at 31 March 2018 under HKAS 39	(1,370)
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	<u>1,370</u>
Balance as at 1 April 2018 under HKFRS 9	<u><u>–</u></u>
Retained profits	
Balance as at 31 March 2018 under HKAS 39	521,224
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	<u>(1,370)</u>
Balance as at 1 April 2018 under HKFRS 9	<u><u>519,854</u></u>

- (b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Set out below are the amounts by which each consolidated financial statements line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Increase/ (decrease) <i>HK\$'000</i>
Liabilities	
Trade payables, deposits received and accrued expenses (<i>Note</i>)	(10,644)
Contract liabilities (<i>Note</i>)	10,644
	<hr/>
Total liabilities	<hr/> <hr/> –

Set out below are the amounts by which each consolidated financial statements line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 March 2019:

	Amounts prepared under		
	HKFRS 15	Previous	Increase/ (decrease)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables, deposits received and accrued expenses (<i>Note</i>)	48,159	64,457	(16,298)
Contract liabilities (<i>Note</i>)	16,298	–	16,298
Total liabilities	201,425	201,425	–

Note: Before the adoption of HKFRS 15, the Company recognised consideration received from customers in advance as deposits received. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Company reclassified HK\$10,644,000 from deposits received to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under HKFRS 15, HK\$16,298,000 was reclassified from deposits received to contract liabilities.

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

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

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

2. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowings, finance lease payables, 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.

	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>
Year ended 31 March 2019					
Segment revenue					
Sales to external customers	1,602,398	88,525	–	7,873	1,698,796
Other losses	–	–	(23,922)	–	(23,922)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,602,398	88,525	(23,922)	7,873	1,674,874
Reconciliation:					
Add: Other losses (note)					<u>23,922</u>
Revenue as presented in the consolidated statement of profit or loss					<u><u>1,698,796</u></u>
Segment results	(14,319)	(23,048)	(28,250)	(10,216)	(75,833)
Reconciliation:					
Bank interest income					46
Rental income					5,328
Share of profits of joint ventures					166,655
Share of losses of associates					(303)
Loss on disposal of items of property, plant and equipment					(1,287)
Impairment of property, plant and equipment					(369)
Impairment of other receivables					(7,619)
Changes in fair value of investment properties					1,515
Unallocated expenses					(26,048)
Finance costs					<u>(6,478)</u>
Profit before tax					<u><u>55,607</u></u>

2. OPERATING SEGMENT INFORMATION (Continued)

	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>
Year ended 31 March 2018					
Segment revenue					
Sales to external customers	1,592,122	66,847	820	3,089	1,662,878
Other revenue	–	–	71,478	–	71,478
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,592,122	66,847	72,298	3,089	1,734,356
Reconciliation:					
Less: Other revenue (note)					(71,478)
					<hr/>
Revenue as presented in the consolidated statement of profit or loss					<u>1,662,878</u>
Segment results	(4,012)	(4,699)	67,975	(10,134)	49,130
Reconciliation:					
Bank interest income					586
Dividend income from listed investments					15
Rental income					5,860
Share of profits of joint ventures					160,199
Share of profits of associates					448
Gain on disposal of items of property, plant and equipment					636
Impairment of other receivables					(20,740)
Changes in fair value of investment properties					6,716
Unallocated expenses					(34,423)
Finance costs					(4,737)
					<hr/>
Profit before tax					<u>163,690</u>

Note: Other revenue/(losses) in segment revenue was classified as other income and gains, fair value gains/(losses) of equity investments and financial assets at fair value through profit or loss and gain on disposal of an available-for-sale investment in the consolidated statement of profit or loss.

2. OPERATING SEGMENT INFORMATION (Continued)

	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>
31 March 2019					
Segment assets	624,028	120,013	155,963	6,311	906,315
Reconciliation:					
Elimination of intersegment receivables					(453,664)
Investments in joint ventures					723,034
Investments in associates					1,698
Corporate and other unallocated assets					<u>139,635</u>
Total assets					<u><u>1,317,018</u></u>
Segment liabilities	52,022	200,834	204,385	54,906	512,147
Reconciliation:					
Elimination of intersegment payables					(453,664)
Corporate and other unallocated liabilities					<u>142,942</u>
Total liabilities					<u><u>201,425</u></u>
31 March 2018					
Segment assets	638,601	115,515	124,184	13,318	891,618
Reconciliation:					
Elimination of intersegment receivables					(369,065)
Investments in joint ventures					619,544
Investments in associates					1,148
Corporate and other unallocated assets					<u>262,554</u>
Total assets					<u><u>1,405,799</u></u>
Segment liabilities	111,598	173,523	162,156	41,445	488,722
Reconciliation:					
Elimination of intersegment payables					(369,065)
Corporate and other unallocated liabilities					<u>199,416</u>
Total liabilities					<u><u>319,073</u></u>

2. OPERATING SEGMENT INFORMATION (Continued)

Other segment information:

	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>
Year ended 31 March 2019					
Depreciation	2,180	549	1,112	479	4,320
Amortisation of other intangible assets	19	–	–	–	19
Provision for impairment of inventories	3,048	4,878	–	–	7,926
Impairment of trade receivables, net	2,986	2,425	–	100	5,511
Impairment of property, plant and equipment	116	253	–	–	369
Reversal of impairment of other intangible assets	(387)	–	–	–	(387)
Impairment of other receivables					7,619
Impairment of investments in joint ventures					77,261
Capital expenditure*	<u>736</u>	<u>1,698</u>	<u>2,600</u>	<u>544</u>	<u>5,578</u>
Year ended 31 March 2018					
Depreciation	2,093	418	871	241	3,623
Amortisation of other intangible assets	19	–	–	–	19
Reversal of provision of inventories	(1,037)	(271)	–	–	(1,308)
Impairment of trade receivables, net	1,748	562	–	20	2,330
Recovery of bad debts	(311)	–	–	–	(311)
Provision for impairment of other intangible assets	381	–	–	–	381
Impairment of other receivables					20,740
Impairment of investments in joint ventures					50,412
Gain on disposal of an available- for-sale investment	–	–	(128,918)	–	(128,918)
Capital expenditure*	<u>1,919</u>	<u>749</u>	<u>–</u>	<u>7,013</u>	<u>9,681</u>

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

2. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	419,145	333,363
Singapore	1,277,682	1,326,013
Korea	67	3,502
Taiwan	1,550	–
Indonesia	352	–
	<u>1,698,796</u>	<u>1,662,878</u>

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

(b) Non-current assets

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	768,053	663,035
Mainland China	98,458	98,220
Singapore	26,615	27,479
Korea	658	7,846
Indonesia	574	–
	<u>894,358</u>	<u>796,580</u>

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

Information about major customers

For the year ended 31 March 2019, no revenue from the Group's sales to a single customer amounted to 10% or above of the Group's total revenue (2018: Nil).

3. REVENUE, OTHER INCOME AND GAINS

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Semiconductor distribution	1,602,398	1,592,122
Consumer electronic product sales and brand omni-channel business	88,525	66,847
Venture capital	–	820
Others	7,873	3,089
	<u>1,698,796</u>	<u>1,662,878</u>
Other income and gains		
Bank interest income	46	586
Interest income on convertible bonds	1,184	2,324
Interest income on listed bond investments	2,876	–
Recovery of bad debts	–	311
Dividend income from listed equity investments	376	15
Gain on disposal of items of property, plant and equipment	–	636
Trademark licence income	204	272
Rental income	5,328	5,860
Foreign exchange differences, net	1,532	3,074
Management fee income from a joint venture	358	–
Others	2,833	964
	<u>14,737</u>	<u>14,042</u>

4. PROFIT BEFORE TAX

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

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold***		1,661,774	1,622,128
Provision for impairment/(reversal of provision) of inventories***		7,926	(1,308)
Depreciation		4,320	3,623
Amortisation of other intangible assets**		19	19
(Reversal of)/provision for impairment of other intangible assets*		(387)	381
Impairment of financial assets, net:			
Impairment of trade receivables, net	10	5,511	2,330
Impairment of other receivables		7,619	20,740
Fair value (gain)/losses, net:			
Equity investments at fair value through profit or loss			
– held for trading		–	(555)
– designated as such upon initial recognition		–	59,164
Fair value losses on financial assets at fair value through profit or loss, net		(28,501)	–
Gain on disposal of an available-for-sale investment		–	(128,918)
Impairment of investments in joint ventures*		77,261	50,412
Gain on derecognition of financial guarantee obligation*		(77,261)	(50,412)
Loss on disposal of items of property, plant and equipment*		1,287	–
Impairment of property, plant and equipment*		369	–
		<u> </u>	<u> </u>

* These balances are included in “Other expenses, net” on the face of the consolidated statement of profit or loss.

** 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowings	6,306	4,605
Interest on finance lease	172	132
	<u> </u>	<u> </u>
	<u>6,478</u>	<u>4,737</u>

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current – Elsewhere		
Charge for the year	292	856
Deferred	122	(55)
	<u>414</u>	<u>801</u>
Total tax charge for the year	<u>414</u>	<u>801</u>

7. DIVIDEND

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Proposed final dividend – HK\$0.02 (2018: HK\$0.02) per ordinary share	18,173	18,463
	<u>18,173</u>	<u>18,463</u>

At the Board meeting held on 26 June 2019, the Board resolved to recommend the payment of a final dividend of HK\$0.02 (2018: HK\$0.02) per share for the year ended 31 March 2019. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it is approved by the shareholders at the forthcoming annual general meeting of the Company.

8. 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 year attributable to owners of the Company, and the weighted average number of ordinary shares of 909,704,962 (2018: 927,256,568) in issue during the year.

The Group had no dilutive potential ordinary shares in issue for the current year.

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	57,278	163,267
	<u>57,278</u>	<u>163,267</u>

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	909,704,962	927,256,568
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	181,238
	<u>909,704,962</u>	<u>927,437,806</u>

Note: On 19 September 2017, 154,588,883 shares of HK\$0.10 each were issued under bonus issue on the basis of one bonus share for every five existing shares. Details of the bonus issue were set out in the announcement of the Company dated 19 September 2017. In determining the weighted average number of ordinary shares in issue during the year ended 31 March 2018, the 154,588,883 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 April 2017.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Investment in convertible bonds	(a)	11,327	
Listed equity investments		38,354	–
Listed bond investments		43,885	–
Unlisted equity investments	(b)	24,082	–
Key management insurance contracts	(c)	23,110	–
		<u>140,758</u>	<u>–</u>
Analysed for reporting purpose as:			
Current assets		117,648	–
Non-current assets		23,110	–
		<u>140,758</u>	<u>–</u>

The above listed equity investments and listed bond investments at 31 March 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

The investment in convertible bonds and key management insurance contracts at 31 March 2019 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 at 31 March 2019 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) During the year ended 31 March 2017, the Group subscribed the convertible bonds issued by IEL Limited (“IEL”) with aggregate principals of approximately HK\$19,425,000 on 8 June 2016 and HK\$38,850,000 on 3 November 2016, respectively. The bonds were interest-bearing at a fixed rate of 4% per annum and repayable within two years since their respective issuance dates, which can be converted into common shares of IEL, at exercise prices of KRW500 and KRW819 per share, respectively, at any time after one year from their respective issuance dates. The investment was classified as equity investments at fair value through profit or loss as at 31 March 2018. Upon the adoption of HKFRS 9, the investment was reclassified as financial assets at fair value through profit or loss on 1 April 2018. During the year ended 31 March 2019, the convertible bonds issued by IEL were in default. Management has assessed that the fair values of the convertible bonds issued by IEL based on the valuation report performed by an independent valuer with reference to the available published financial information of IEL.
- (b) On 13 April 2018, the Group subscribed 3,353 preferred shares of Vinus Entertainment Co., Ltd. (“Vinus”), an independent third party, at a consideration of US\$1,000,000 (equivalent to HK\$7,770,000). Together with the 6,527 preferred shares and the 7,326 ordinary shares acquired in the prior year, the Group has 16.9% equity interest in Vinus as at 31 March 2019.

In the prior year, the Group acquired 753 ordinary shares of Luxury Choice Investment Limited (“Luxury Choice”), an independent third party, at a consideration of US\$500,207 (equivalent to HK\$3,887,000). Also, the Group subscribed 10,000 preferred shares in Global ESports Limited (“Global ESports”), an independent third party, at a consideration of HK\$1,000,000. At 31 March 2019, the Group has 6.1% equity interest in Luxury Choice and 3.8% equity interest in Global ESports. These investments were classified as equity investments at fair value through profit or loss as at 31 March 2018. Upon the adoption of HKFRS 9, the investments were reclassified as financial assets at fair value through profit or loss on 1 April 2018.

During the year ended 31 March 2018, the Group subscribed a convertible bond issued by Mad Runway Holdings Limited (“Mad Runway”), an independent third parties, and was classified as equity investments at fair value through profit or loss as at 31 March 2018. On 2 October 2018, the Group exercised the option to convert 1,200,000 Mad Runway common shares, representing 2.3% of equity interest of Mad Runway.

During the year, the Group subscribed 888,000,000 common shares, representing 10% equity interest in Urban City Joint Stock Company, an independent third party, at a consideration of Vietnamese Dong 11,628,000,000 (equivalent to HK\$3,881,000).

- (c) As at 31 March 2019, 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) with an annual minimum guaranteed return of 2%. The key management insurance contracts were classified as available-for-sale investments as at 31 March 2018. Upon the adoption of HKFRS 9, the investment was reclassified as financial assets at fair value through profit or loss on 1 April 2018.

As at 31 March 2019, if the Group withdrew from the insurance contracts, the accounts value, net of surrender charges of US\$366,596 (approximately HK\$2,848,000), 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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	82,427	75,289
Impairment	(11,490)	(7,322)
	70,937	67,967

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	15,505	50,327
1 to 2 months	34,864	14,400
2 to 3 months	6,507	1,411
Over 3 months	14,061	1,829
	70,937	67,967

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of year	7,322	6,348
Impairment losses, net (<i>note 4</i>)	5,511	2,330
Amounts written off as uncollectible	(1,306)	(1,448)
Exchange realignment	(37)	92
At end of year	11,490	7,322

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Investment in a joint venture, at fair value (<i>note</i>)	–	23,300
Investment in convertible bonds, at fair value	–	24,993
Listed equity investments, at market value	–	15,455
Listed bond investment, at market value	–	7,981
Unlisted equity investments, at fair value	–	27,536
	<hr/>	<hr/>
	–	99,265
	<hr/> <hr/>	<hr/> <hr/>

Note: For the year ended 31 March 2017, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire 50% equity interest in the shares of J-Text Holdings Limited (“J-Text”) at a consideration of HK\$30,000,000. The acquisition was completed in February 2017. The investment in J-Text was classified as an investment in a joint venture as the Group exercises joint control over the financial and operating policies of J-Text.

As this joint venture was held as part of the venture capital organisation’s investment portfolio, it was carried in the consolidated statement of financial position at fair value. This treatment is permitted by HKAS 28 (2011) “*Investments in Associates and Joint Ventures*” which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with HKAS 39, with changes in fair value recognised in the consolidated statement of profit or loss in the period of change. Upon the adoption of HKFRS 9, the investment was reclassified as financial assets at fair value through profit or loss on 1 April 2018. The investment was disposed during the year.

12. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	29,164	93,059
Deposits received	1,761	12,304
Accrued expenses	17,234	22,975
	<u>48,159</u>	<u>128,338</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables:		
Current	18,832	90,238
1 to 30 days	9,269	550
31 to 60 days	158	19
Over 60 days	905	2,252
	<u>29,164</u>	<u>93,059</u>

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 year ended 31 March 2019, with the comparative figures for the corresponding financial year of 2018.

	2019 <i>HK\$'million</i>	2018 <i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	1,602.4	1,592.1
Consumer electronic product and brand omni-channel business	88.5	66.9
Venture capital	(23.9)	72.3
Others	7.9	3.1
	1,674.9	1,734.4
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	(26.0)	(34.3)
Venture capital	(28.1)	47.9
Semiconductor distribution	154.5	161.5
Consumer electronic product and brand omni-channel business	(20.4)	(4.7)
Others	(10.1)	(10.1)
	69.9	160.3
<i>Depreciation and amortisation</i>		
Corporate	–	–
Venture capital	(1.1)	(0.9)
Semiconductor distribution	(2.2)	(2.1)
Consumer electronic product and brand omni-channel business	(0.5)	(0.4)
Others	(0.5)	(0.2)
Total depreciation and amortisation	(4.3)	(3.6)
Profit before interest and tax	62.1	167.8
Interest expenses	(6.5)	(4.7)
Bank interest income	–	0.6
Profit before tax	55.6	163.7
Income tax	(0.4)	(0.8)
Profit for the year	55.2	162.9
Profit for the year attributable to:		
Owners of the Company	57.3	163.3
Non-controlling interests	(2.1)	(0.4)
	55.2	162.9

BUSINESS REVIEW

During the year under review, Sino-US trade frictions intensified significantly. The wrestling between the world's two major economies and the rise in geopolitical risks are creating uncertainties in the outlook for global trade. The global economic outlook is also dragged down by factors such as slowing investment, rising consumer prices and declining business confidence which even emerging economies in Southeast Asia are no exception. The World Bank had earlier predicted that the growth momentum of emerging markets and developing economies also showed signs of slowing down. It is expected that its growth will stagnate at 4.2% this year, and global economic growth will fall to 2.9% in 2019. With the recent pressure from financial markets and rising trade tensions, the economic downside risks have become more apparent.

During the year under review, the Group's revenue by segment was HK\$1,674.9 million (2018: HK\$1,734.4 million), decreased by 3.4%. Among which semiconductor distribution business recorded a revenue of HK\$1,602.4 million (2018: HK\$1,592.1 million), consumer electronic product and brand omni-channel business recorded a revenue of HK\$88.5 million (2018: HK\$66.9 million), venture capital business recorded a loss of HK\$23.9 million (2018: profit of HK\$72.3 million) and internet social media business recorded a revenue of HK\$7.9 million (2018: HK\$3.1 million).

SEMICONDUCTOR DISTRIBUTION BUSINESS

According to the preliminary research by Gartner, an international research and advisory firm, global semiconductor revenue is expected to reach US\$476.7 billion in 2018, an increase of 13.4% from US\$420.4 billion in 2017. Memory accounted for 34.8% of total semiconductor revenue, up from 31% in 2017. However, Gartner pointed out that as time goes by and the technical difficulty increases, this growth will gradually slow down, and the intelligent upgrade of mobile phones will make it occupy 20% of the semiconductor market. From the shipment scale of 1.5 billion units per year, its future growth rate will not be too obvious. It is expected that by 2020, the growth rate of smartphones will still be at a low level.

During the year under review, the semiconductor distribution business recorded a turnover of HK\$1,602.4 million (2018: HK\$1,592.1 million). Singapore is still a major market for the Group, contributing approximately HK\$1,270.0 million, followed by Hong Kong with a turnover of approximately HK\$332.4 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 Singapore's economy is improving, the semiconductor distribution business also maintained steady growth.

During the year 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 15.2% increase to HK\$24,676 million (2018: HK\$21,420 million). The main customers of AVPEL Group are China's major mobile phone manufacturers and mobile phone component suppliers.

Although the Chinese mobile phone market has undergone large-scale integration during the year under review, the number of mobile phone operators and the scale of the entire industry has been reduced. The increase was mainly attributable to the relatively stable orders for the distribution of Samsung Electronics including (i) CMOS image sensors (ii) multi-layer packaged chips, and (iii) ARM processors.

IDC, the international market research organization, announced the global smartphone shipments report. In 2018, global smartphone sales fell 4.1%, with a total shipment of 1.4 billion units. As the challenging market environment continues into 2019, the overall sales of the smartphone market will be affected this year.

CONSUMER ELECTRONIC PRODUCT AND BRAND OMNI-CHANNEL BUSINESS

The Group follows the megatrend of online and offline omni-channel development of the world's leading brands and refines the "Consumer Electronic Product Business" into "Consumer Electronic Product and Brand Omni-Channel Business". The brand provides online and offline omni-channel service. During the year under review, the omni-channel business of consumer electronic products and brands, which was joined by a new team from a number of countries in Southeast Asia, recorded a turnover of HK\$88.5 million (2018: HK\$66.9 million).

The consumer electronic product and brand omni-channel business was started in 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 develops the operation services for the Southeast Asia markets to stay in-line with the needs of brand customers.

E-commerce has developed rapidly in recent years. During the year under review, the Group has integrated the original Signeo Design and its team to meet the needs of customers, and 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, Signeo Design has further provided brand-name services for the local market, and formally established the brand omni-channel business, which is a wholly-owned subsidiary of the Group, E-GoGo Limited ("E-GoGo"). "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, which are retailers, brands and manufacturers.

In terms of brand management, the Group is currently carrying a wide range of products, including traditional and durable 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 electronics industry, these world-renowned brands have started using E-GoGo's e-commerce service. On behalf of the operation services, we will actively expand the market opportunities of the brands in the Southeast Asia markets, and combine the online and offline marketing wisdom and creativity of the Signeo Design and E-GoGo teams to collaborate with our brands to develop online and offline marketing strategies for the Southeast Asia markets. In addition, we can get more comprehensive and appropriate market analysis, channel coverage recommendations and assessments, and even adjust the marketing strategy more quickly and flexibly in response to feedback from channel sales.

INTERNET SOCIAL MEDIA BUSINESS

During the year under review, revenue from 830 Media Limited ("830 Media") was HK\$7.9 million (2018: HK\$3.1 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 enter the digital media business. The services provided by the 830 Lab mainly include 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 year under review, it also attracted cooperation between international and local famous brands such as Coca-Cola, Facebook, HSBC, Fortress and 7-11 with Whizoo Media to develop different levels of one-stop creative content solutions. For example, in June 2018, Whizoo Media participated at street video project "WHIZers Summer Fighting" in the "Coca-Cola" Iced Tetris game (Coca-Cola's promotion at the time) in Causeway Bay. In January 2019, Whizoo Media undertook the sticker fever brought by various social media and launched "Coca-Cola 10 New Year's Stickers" video and other creative content as its continuous new attempts. Benefiting from the high content of video content and demographic data, Whizoo Media has attracted more than 250,000 fans 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 launched the Facebook page "He She Kids" for parents, and invested in an associate, OneShot Concept Limited, which owns the "冬 OT" brand, for a more diversified development strategy.

With the continuous advancement of technologies such as internet upgrades and artificial intelligence, the new media field has also undergone unprecedented changes. Among them, the high-quality original creative video has also achieved rapid development and has become one of the main online entertainments. To promote effective communication between social media and digital content marketing, the Group leverages its existing resources to manage its new internet social media business through space creation and creative channels, in order to thrive in the internet world.

VENTURE CAPITAL BUSINESS

During the year under review, the turnover for venture capital business was recorded a loss of HK\$23.9 million (2018: profit of HK\$72.3 million) that is mainly for the fair value losses on equity investments at fair value through profit or loss, 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 investments in the current year. As of 31 March 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\$140.8 million (31 March 2018: HK\$99.3 million) by the Group. During the year under review, the venture capital business of the Group recorded a fair value loss on financial assets at fair value through profit or loss of HK\$28.5 million (2018: fair value loss on equity investments at fair value through profit or loss of HK\$58.6 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.

At 31 March 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.

PROSPECT

Market research company IDC released the "Global Mobile Phone Quarterly Tracking Report" at the beginning of the year, predicting that the smartphone market will face a more severe situation in 2019. The report shows that this year will be another year of negative growth in global smartphone shipments, and it is also shrinking for the third consecutive year. It is estimated that the number of smartphones delivered in 2019 will be 1.39 billion units, a decrease of 0.7% from 2018. The reason for the continuous decline in smartphone shipments is mainly due to some political factors and the overall improvement in the quality of smartphone products, resulting in much longer consumer change cycles. However, even if the overall

market is sluggish, 5G is seen to be the next wave of change. With the advent of the 5G era, operators and domestic and foreign mobile phone manufacturers all want to take the lead. 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.

According to Frost & Sullivan's data, the compound annual growth rate ("CAGR") of the Southeast Asia e-commerce market will reach 29.2% between 2017 and 2021, among which the Indonesian e-commerce market, which is expected have the fastest growth in number of smartphone users, will have a CAGR of 57.7% in the next five years. In recent years, Southeast Asia countries have greatly improved their network infrastructure. The penetration rate of mobile internet has continued to rise. Consumers tend to be mobile-centric. Currently, 70% of e-commerce traffic comes from mobile terminals. The online and offline multi-channel shopping experience is infiltrating into the lives of local people. At the same time, people with high spending power pursue a higher quality of life, and how to seize the eyes of consumers has become the key to success. As a distributor with extensive experience in the field of consumer electronic, the Group actively embraces the demand driven by the internet. During the year 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.

In the era of internet social media, upon the strong appeal of original content to both audiences and advertisers, the Group has actively invested 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, and is actively playing the platform synergy of 830 Media and 830 Lab. The Group is confident in the new media business of the internet. It is expected that this business will bring 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 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 31 March 2019 are shown as follows:

	2019 <i>HK\$'million</i>	2018 <i>HK\$'million</i>
Cash and cash equivalents	106.0	233.9
Equity investments at fair value through profit or loss	–	99.3
Financial assets at fair value through profit or loss included in current assets	117.6	–
	223.6	333.2
Borrowings and finance lease payables	76.5	136.6
Total equity	1,115.6	1,086.7
Total debt to total equity	7%	13%

As at 31 March 2019, the Group had cash and cash equivalents (i.e., cash and bank balances and deposits with other financial institution) of HK\$106.0 million (31 March 2018: HK\$233.9 million), while the Group's financial assets at fair value through profit or loss included in current assets amounted to HK\$117.6 million (31 March 2018: equity investments at fair value through profit or loss amounted to HK\$99.3 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 2019 was 7% (31 March 2018: 13%), while the Group's total equity as at 31 March 2019 was HK\$1,115.6 million (31 March 2018: HK\$1,086.7 million), with the total balances of cash and cash equivalents and equity investments and financial assets at fair value through profit or loss as at 31 March 2019 of HK\$223.6 million (31 March 2018: HK\$333.2 million).

The working capital position of the Group remains healthy. As at 31 March 2019, the liquidity ratio was 215% (2018: 195%).

	2019 <i>HK\$'million</i>	2018 <i>HK\$'million</i>
Current assets	397.4	584.1
Current liabilities	(184.6)	(298.9)
Net current assets	212.8	285.2
Current assets to current liabilities	215%	195%

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 2019, the Group recorded financial assets at fair value through profit or loss of approximately HK\$140.8 million (31 March 2018: equity investments at fair value through profit or loss of approximately HK\$99.3 million and available-for-sale investments of approximately HK\$22.4 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 9 in 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 and Prospects – Venture Capital Business” on page 30 of this annual results announcement.

EMPLOYEES

As at 31 March 2019, the Group employed a total of approximately 205 (31 March 2018: approximately 187) 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 year ended 31 March 2019, the Company repurchased and cancelled a total of 14,486,000 ordinary shares of the Company at an aggregate consideration of approximately HK\$7,282,640 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the details of the repurchases are as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
25 April 2018	3,708,000	0.500	0.490	1,828,640
26 April 2018	3,500,000	0.520	0.520	1,820,000
27 April 2018	<u>7,278,000</u>	0.500	0.495	<u>3,634,000</u>
	<u>14,486,000</u>			<u>7,282,640</u>

Save of the disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company 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 2019, except for the deviation of code provision A.2.1 of the Corporate Governance Code as expressly 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 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 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 (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 2019.

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, *SBS, JP*, Mr. Charles E. Chapman and Mr. Wong Ka Kit, 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 2019.

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 2019 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 consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants 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\$0.02 (2018: HK\$0.02) per share for the year ended 31 March 2019 which is subjected 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 Wednesday, 28 August 2019, will be payable on Thursday, 19 September 2019 to shareholders whose names appear on the registrar of members of the Company on Thursday, 5 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled on Wednesday, 28 August 2019. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 23 August 2019 to Wednesday, 28 August 2019, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 22 August 2019.

In order to determine the list of shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2019, the Company's register of members will be closed from Wednesday, 4 September 2019 to Thursday, 5 September 2019, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 September 2019.

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 2019 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
AV CONCEPT HOLDINGS LIMITED
So Yuk Kwan
Chairman

Hong Kong, 26 June 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.