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# AV CONCEPT HOLDINGS LIMITED

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

**(Stock Code: 595)**

## YEAR ENDED 31 MARCH 2020 ANNUAL RESULTS ANNOUNCEMENT

### Statement of Profit or Loss Highlights

	2020 HK\$'million	2019 HK\$'million
Revenue		
– Semiconductor distribution	1,259.2	1,602.4
– Consumer product and brand omni-channel business	74.9	88.5
– Venture capital	–	–
– Others	3.2	7.9
	<u>1,337.3</u>	<u>1,698.8</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(33.8)	(26.0)
– Venture capital	(16.0)	(28.1)
– Semiconductor distribution	192.1	154.5
– Consumer product and brand omni-channel business	(25.0)	(20.4)
– Others	(7.4)	(10.1)
	<u>109.9</u>	<u>69.9</u>
Depreciation and amortisation	<u>(4.8)</u>	<u>(4.3)</u>
Profit for the year attributable to:		
Owners of the Company	93.5	57.3
Non-controlling interests	(2.7)	(2.1)
	<u>90.8</u>	<u>55.2</u>

### Statement of Financial Position Highlights

Total assets	1,393.8	1,317.0
Total assets less current liabilities	1,198.4	1,132.5
Total equity	1,181.0	1,115.6
Borrowings, lease liabilities and finance lease payables	104.5	76.5
Cash and cash equivalents	87.7	106.0
Financial assets at fair value through profit or loss (included in current assets)	79.8	117.6
	<u>167.5</u>	<u>223.6</u>
Total debt to total equity	9%	7%
Current assets to current liabilities	176%	215%
Cash and cash equivalents and financial assets at fair value through profit or loss (included in current assets) per share (HK\$)	0.18	0.25
Total equity per share (HK\$)	1.30	1.23

## 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 2020, together with the comparative figures for the previous year, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>1,337,326</b>	1,698,796
Cost of sales		<b>(1,307,032)</b>	(1,673,533)
Gross profit		<b>30,294</b>	25,263
Other income and gains	3	<b>13,877</b>	14,737
Changes in fair value of investment properties		<b>(2,268)</b>	1,515
Selling and distribution expenses		<b>(13,123)</b>	(17,684)
Administrative expenses		<b>(84,622)</b>	(81,736)
Fair value losses on financial assets at fair value through profit or loss, net		<b>(18,750)</b>	(28,501)
Other expenses, net		<b>(10,087)</b>	(17,861)
Finance costs	5	<b>(3,763)</b>	(6,478)
Share of profits and losses of:			
Joint ventures		<b>181,344</b>	166,655
Associates		<b>(440)</b>	(303)
<b>PROFIT BEFORE TAX</b>	4	<b>92,462</b>	55,607
Income tax	6	<b>(1,711)</b>	(414)
<b>PROFIT FOR THE YEAR</b>		<b>90,751</b>	55,193
Attributable to:			
Owners of the Company		<b>93,443</b>	57,278
Non-controlling interests		<b>(2,692)</b>	(2,085)
		<b>90,751</b>	55,193
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8		
Basic		<b>HK10.28 cent</b>	HK6.30 cent
Diluted		<b>HK10.28 cent</b>	HK6.30 cent

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 March 2020*

	<b>2020</b> <b>HK\$'000</b>	<b>2019</b> <b>HK\$'000</b>
<b>PROFIT FOR THE YEAR</b>	<b>90,751</b>	<b>55,193</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>(7,174)</u>	<u>(4,483)</u>
<b>OTHER COMPREHENSIVE LOSS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<u><b>(7,174)</b></u>	<u><b>(4,483)</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>83,577</b></u>	<u><b>50,710</b></u>
Attributable to:		
Owners of the Company	<b>86,180</b>	<b>52,818</b>
Non-controlling interests	<u><b>(2,603)</b></u>	<u><b>(2,108)</b></u>
	<u><b>83,577</b></u>	<u><b>50,710</b></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2020

		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and right-of-use assets		<b>35,423</b>	39,594
Investment properties		<b>120,437</b>	125,798
Goodwill		–	–
Other intangible assets		<b>3,850</b>	4,234
Investments in joint ventures		<b>843,019</b>	723,034
Investments in associates		<b>248</b>	1,698
Financial assets at fair value through profit or loss	9	<b>23,891</b>	23,110
Prepayments and deposits		<b>23,968</b>	2,178
Total non-current assets		<b>1,050,836</b>	919,646
<b>CURRENT ASSETS</b>			
Inventories		<b>82,678</b>	62,219
Trade receivables	10	<b>78,935</b>	70,937
Due from associates		<b>115</b>	115
Prepayments, deposits and other receivables		<b>13,669</b>	40,462
Financial assets at fair value through profit or loss	9	<b>79,839</b>	117,648
Tax recoverable		<b>1</b>	2
Cash and cash equivalents		<b>87,747</b>	105,989
Total current assets		<b>342,984</b>	397,372
<b>CURRENT LIABILITIES</b>			
Trade payables, deposits received and accrued expenses	11	<b>43,480</b>	48,159
Contract liabilities		<b>5,785</b>	16,298
Lease liabilities		<b>3,624</b>	–
Interest-bearing bank borrowings		<b>97,811</b>	72,366
Finance lease payables		–	1,439
Tax payable		<b>1,436</b>	126
Financial guarantee obligation		<b>43,301</b>	46,160
Total current liabilities		<b>195,437</b>	184,548

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***31 March 2020*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>	<b>147,547</b>	212,824
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,198,383</b>	1,132,470
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>3,088</b>	–
Finance lease payables	–	2,720
Deferred tax liabilities	<b>14,298</b>	14,157
Total non-current liabilities	<b>17,386</b>	16,877
Net assets	<b>1,180,997</b>	1,115,593
<b>EQUITY</b>		
Issued capital	<b>90,866</b>	90,866
Reserves	<b>1,078,622</b>	1,010,615
Equity attributable to owners of the Company	<b>1,169,488</b>	1,101,481
Non-controlling interests	<b>11,509</b>	14,112
Total equity	<b>1,180,997</b>	1,115,593

## NOTES

### 1.1 BASIS OF PREPARATION

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

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2020. 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 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>
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial effect on the Group's consolidated financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

### **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.

### **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 buildings 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 the elective exemptions for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

#### ***Impact 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 as a component of property, plant and equipment and right-of-use assets in the consolidated statement of financial position. This includes the lease assets recognised previously under finance leases of HK\$5,285,000 that were reclassified from property, plant and equipment.

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

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

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

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

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e. finance lease payables) measured under HKAS 17.



## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/ (decrease) HK\$'000
<b>Assets</b>	
Increase in property, plant and equipment and right-of-use assets	743
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 are as follows:	
	HK\$'000
<b>Operating lease commitments as at 31 March 2019</b>	1,871
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(1,785)
	<hr/>
	86
Weighted average incremental borrowing rate as at 1 April 2019	4.74%
	<hr/> <hr/>
Discounted operating lease commitments as at 1 April 2019	84
Add: Finance lease liabilities recognised as at 31 March 2019	4,159
	<hr/>
<b>Lease liabilities as at 1 April 2019</b>	4,243
	<hr/> <hr/>

## 2. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, rental income, share of profits and losses of joint ventures and associates, impairment of investments in associates, gain/loss on disposal of items of property, plant and equipment, impairment of property, plant and equipment and right-of-use assets, impairment of/reversal of 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, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

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 product and brand omni- business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2020</b>					
Segment revenue					
Sales to external customers	1,259,208	74,902	–	3,216	1,337,326
Other losses	–	–	(15,296)	–	(15,296)
Total	1,259,208	74,902	(15,296)	3,216	1,322,030
Reconciliation:					
Add: Other losses <i>(note)</i>					15,296
Revenue as presented in the consolidated statement of profit or loss					1,337,326
<b>Segment results</b>	<b>7,166</b>	<b>(24,964)</b>	<b>(22,439)</b>	<b>(6,951)</b>	<b>(47,188)</b>
Reconciliation:					
Bank interest income					354
Rental income					4,920
Share of profits of joint ventures					181,344
Share of losses of associates					(440)
Impairment of investments in associates					(1,510)
Gain on disposal of items of property, plant and equipment					24
Impairment of property, plant and equipment					(3,579)
Impairment of right-of-use assets					(5,529)
Reversal of impairment of other receivables					3,901
Changes in fair value of investment properties					(2,268)
Unallocated expenses					(33,804)
Finance costs					(3,763)
Profit before tax					92,462

## 2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution HK\$'000	Consumer product and brand omni- business HK\$'000	Venture capital HK\$'000	Others HK\$'000	Total HK\$'000
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)
Total	1,602,398	88,525	(23,922)	7,873	1,674,874
Reconciliation:					
Add: Other losses (note)					23,922
Revenue as presented in the consolidated statement of profit or loss					1,698,796
<b>Segment results</b>	(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					(6,478)
Profit before tax					55,607

*Note:* Other 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, net, in the consolidated statement of profit or loss.

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

	Semiconductor distribution <i>HK\$'000</i>	Consumer 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>31 March 2020</b>					
<b>Segment assets</b>	<b>673,365</b>	<b>113,590</b>	<b>100,094</b>	<b>4,050</b>	<b>891,099</b>
Reconciliation:					
Elimination of intersegment receivables					(479,199)
Investments in joint ventures					843,019
Investments in associates					248
Corporate and other unallocated assets					138,653
Total assets					<u><u>1,393,820</u></u>
<b>Segment liabilities</b>	<b>32,873</b>	<b>229,927</b>	<b>211,098</b>	<b>54,641</b>	<b>528,539</b>
Reconciliation:					
Elimination of intersegment payables					(479,199)
Corporate and other unallocated liabilities					163,483
Total liabilities					<u><u>212,823</u></u>
<b>31 March 2019</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>

## 2. OPERATING SEGMENT INFORMATION (Continued)

### Other segment information:

	Semiconductor distribution HK\$'000	Consumer product and brand omni- channel business HK\$'000	Venture capital HK\$'000	Others HK\$'000	Total HK\$'000
<b>Year ended 31 March 2020</b>					
Depreciation of property, plant and equipment	1,304	466	316	282	2,368
Depreciation of right-of-use assets	1,021	320	1,046	–	2,387
Amortisation of other intangible assets	19	–	–	–	19
Provision for/(reversal of) impairment of inventories	(3,225)	3,575	–	–	350
(Reversal of impairment)/ impairment of trade receivables, net	–	(601)	–	21	(580)
Impairment of property, plant and equipment	1,538	1,494	–	547	3,579
Impairment of right-of-use assets	513	5,016	–	–	5,529
Impairment of other intangible assets	200	–	–	–	200
Reversal of impairment of other receivables, net					(3,901)
Impairment of investments in joint ventures					105,353
Impairment of investments in associates					1,510
Capital expenditure*	<u>2,006</u>	<u>684</u>	<u>669</u>	<u>45</u>	<u>3,404</u>
<b>Year ended 31 March 2019</b>					
Depreciation of property, plant and equipment	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, net					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>

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

## 2. OPERATING SEGMENT INFORMATION (Continued)

### Geographical information

#### (a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong	72,949	419,145
Singapore	1,259,440	1,277,682
Korea	–	67
Taiwan	3,469	1,550
Indonesia	1,468	352
	<u>1,337,326</u>	<u>1,698,796</u>

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

#### (b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	885,030	768,053
Mainland China	115,790	98,458
Singapore	23,895	26,615
Korea	238	658
Indonesia	–	574
	<u>1,024,953</u>	<u>894,358</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 2020, no revenue from the Group's sales to a single customer amounted to 10% or above of the Group's total revenue (2019: Nil).

## 3. REVENUE, OTHER INCOME AND GAINS

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

	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers</b>		
Semiconductor distribution	1,259,208	1,602,398
Consumer product sales and brand omni-channel business	74,902	88,525
Others	3,216	7,873
	<u>1,337,326</u>	<u>1,698,796</u>

**3. REVENUE, OTHER INCOME AND GAINS (Continued)**

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income and gains</b>		
Bank interest income	<b>354</b>	46
Interest income on convertible bonds	–	1,184
Interest income on listed bond investments	<b>2,506</b>	2,876
Interest income on a loan receivable	<b>616</b>	–
Dividend income from listed equity investments	<b>187</b>	376
Gain on disposal of items of property, plant and equipment	<b>24</b>	–
Trademark licence income	–	204
Rental income	<b>4,920</b>	5,328
Foreign exchange differences, net	<b>963</b>	1,532
Management fee income from a joint venture	–	358
Others	<b>4,307</b>	2,833
	<hr/>	<hr/>
	<b>13,877</b>	14,737
	<hr/>	<hr/>



#### 4. PROFIT BEFORE TAX

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

		2020	2019
	Note	HK\$'000	HK\$'000
Cost of inventories sold***		1,303,012	1,661,774
Provision for impairment of inventories***		350	7,926
Depreciation of property, plant and equipment		2,368	4,320
Depreciation of right-of-use assets		2,387	–
Amortisation of other intangible assets**		19	19
Impairment of/(reversal of impairment) other intangible assets*		200	(387)
Impairment of financial assets, net:			
(Reversal of impairment)/impairment of trade receivables, net*	10	(580)	5,511
(Reversal of impairment)/impairment of other receivables, net*		(3,901)	7,619
Fair value losses on financial assets at fair value through profit or loss, net		18,750	28,501
Impairment of investments in associates*		1,510	–
Impairment of investments in joint ventures*		105,353	77,261
Gain on derecognition of financial guarantee obligation*		(105,353)	(77,261)
Loss/(gain) on disposal of items of property, plant and equipment*		(24)	1,287
Impairment of property, plant and equipment*		3,579	369
Impairment of right-of-use assets*		5,529	–
		<b>5,529</b>	<b>–</b>

\* These balances are included in “Other expenses, net” on the face of the consolidated statement of profit or loss, except for the gain on disposal of items of property, plant and equipment which is included in “Other income and gains” 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:

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	3,492	6,306
Interest on lease liabilities	271	–
Interest on finance leases	–	172
	<u>3,763</u>	<u>6,478</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.

	2020 HK\$'000	2019 HK\$'000
Current – Elsewhere		
Charge for the year	1,598	292
Deferred	<u>113</u>	<u>122</u>
Total tax charge for the year	<u>1,711</u>	<u>414</u>

## 7. DIVIDEND

	2020 HK\$'000	2019 HK\$'000
Proposed final dividend – HK\$0.025 (2019: HK\$0.020) per ordinary share	<u>22,717</u>	<u>18,173</u>

At the Board meeting held on 24 June 2020, the Board resolved to recommend the payment of a final dividend of HK\$0.025 (2019: HK\$0.020) per share for the year ended 31 March 2020. 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 908,663,302 (2019: 909,704,962) in issue during the year.

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>93,443</u>	<u>57,278</u>

	Number of shares 2020	2019
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>908,663,302</u>	<u>909,704,962</u>

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

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Investment in convertible bonds	(a)	4,405	11,327
Listed equity investments		12,919	38,354
Listed bond investments	(b)	42,206	43,885
Unlisted equity investments	(c)	20,309	24,082
Key management insurance contracts	(d)	<u>23,891</u>	<u>23,110</u>
		<u>103,730</u>	<u>140,758</u>
Analysed for reporting purpose as:			
Current assets		79,839	117,648
Non-current assets		<u>23,891</u>	<u>23,110</u>
		<u>103,730</u>	<u>140,758</u>

The above listed equity investments and listed bond investments 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 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.

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

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

*Notes:*

- (a) During the year ended 31 March 2017, the Group subscribed the convertible bonds issued by IE 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. During the years ended 31 March 2019 and 2020, the convertible bonds issued by IEL were in default. Management has assessed 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 financial information of IEL and final price value from Credit Event Auction by Creditex.
- (b) The listed bond investments have coupon rates ranging from 4.70% to 7.25% (2019: 4.70% to 7.25%) per annum and maturity dates from 4 April 2021 to 15 December 2022 (2019: from 4 April 2021 to 15 December 2022).
- (c) During the year, the Group subscribed 26,971 ordinary shares of Tooniplay Co., Ltd. (formerly known as “Vinus Entertainment Co., Ltd.”) (“Tooniplay”), an independent third party, at a consideration of KRW1,348,550,000 (equivalent to HK\$8,693,000). Together with the 9,880 preferred shares and the 7,326 ordinary shares acquired in the prior year, the Group has 9,880 preferred shares and 34,297 ordinary shares, which represent 28.16% equity interests, in Tooniplay as at 31 March 2020. Accordingly, Tooniplay has become an associate of the Group.

As this associate 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 *Investments in Associates and Joint Ventures* which allows 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 HKFRS 9, with changes in fair value recognised in the consolidated statement of profit or loss in the period of change.

During the year ended 31 March 2018, the Group acquired 753 ordinary shares of Luxury Choice Investments 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. As at 31 March 2020, the Group has 753 ordinary shares and 10,000 preferred shares in Luxury Choice and Global ESports, respectively.

During the year ended 31 March 2018, the Group subscribed a convertible bond issued by Mad Runway Holdings Limited (“Mad Runway”), an independent third party. On 2 October 2018, the Group exercised the option to convert 1,200,000 ordinary shares of Mad Runway. As at 31 March 2020, the Group has 1,200,000 ordinary shares in Mad Runway.

In the prior year, the Group subscribed 88,800 ordinary shares of Urban City Joint Stock Company (“Urban City”), an independent third party, at a consideration of Vietnamese Dong 11,628,000,000 (equivalent to HK\$3,881,000). As at 31 March 2020, the Group has 88,800 ordinary shares in Urban City.

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

Notes: (Continued)

- (d) As at 31 March 2020, 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) (2019: US\$15,800,000 (approximately HK\$122,800,000)) with an annual minimum guaranteed return of 2%.

As at 31 March 2020, if the Group withdrew from the insurance contracts, the accounts value, net of surrender charges of US\$357,000 (approximately HK\$2,770,000) (2019: US\$367,000 (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

	2020 HK\$'000	2019 HK\$'000
Trade receivables	89,743	82,427
Impairment	<u>(10,808)</u>	<u>(11,490)</u>
	<u><b>78,935</b></u>	<u><b>70,937</b></u>

The Group's trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to over 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Company has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest bearing.

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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	35,125	15,505
1 to 2 months	24,995	34,864
2 to 3 months	3,643	6,507
Over 3 months	<u>15,172</u>	<u>14,061</u>
	<u><b>78,935</b></u>	<u><b>70,937</b></u>

# **10. TRADE RECEIVABLES (Continued)**

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

	<b>2020</b> <b>HK\$'000</b>	<b>2019</b> <b>HK\$'000</b>
At beginning of year	<b>11,490</b>	7,322
(Reversal of impairment)/impairment losses, net ( <i>note 4</i> )	<b>(580)</b>	5,511
Amounts written off as uncollectible	<b>(100)</b>	(1,306)
Exchange realignment	<b>(2)</b>	(37)
	<hr/>	<hr/>
At end of year	<b>10,808</b>	11,490
	<hr/>	<hr/>

# **11. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES**

	<b>2020</b> <b>HK\$'000</b>	<b>2019</b> <b>HK\$'000</b>
Trade payables	<b>21,626</b>	29,164
Deposits received	<b>1,534</b>	1,761
Accrued expenses	<b>20,320</b>	17,234
	<hr/>	<hr/>
	<b>43,480</b>	48,159
	<hr/>	<hr/>

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>2020</b> <b>HK\$'000</b>	<b>2019</b> <b>HK\$'000</b>
Trade payables:		
Current	<b>17,225</b>	18,832
1 to 30 days	<b>697</b>	9,269
31 to 60 days	<b>15</b>	158
Over 60 days	<b>3,689</b>	905
	<hr/>	<hr/>
	<b>21,626</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 year ended 31 March 2020, with the comparative figures for the corresponding financial year of 2019.

	<b>2020</b> <i>HK\$'million</i>	2019 <i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	<b>1,259.2</b>	1,602.4
Consumer product and brand omni-channel business	<b>74.9</b>	88.5
Venture capital	<b>(15.3)</b>	(23.9)
Others	<b>3.2</b>	7.9
	<b>1,322.0</b>	1,674.9
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	<b>(33.8)</b>	(26.0)
Venture capital	<b>(16.0)</b>	(28.1)
Semiconductor distribution	<b>192.1</b>	154.5
Consumer product and brand omni-channel business	<b>(25.0)</b>	(20.4)
Others	<b>(7.4)</b>	(10.1)
	<b>109.9</b>	69.9
<i>Depreciation and amortisation</i>		
Corporate	<b>–</b>	–
Venture capital	<b>(1.4)</b>	(1.1)
Semiconductor distribution	<b>(2.3)</b>	(2.2)
Consumer product and brand omni-channel business	<b>(0.8)</b>	(0.5)
Others	<b>(0.3)</b>	(0.5)
Total depreciation and amortisation	<b>(4.8)</b>	(4.3)
Profit before interest and tax	<b>95.9</b>	62.1
Interest expenses	<b>(3.8)</b>	(6.5)
Bank interest income	<b>0.4</b>	–
Profit before tax	<b>92.5</b>	55.6
Income tax	<b>(1.7)</b>	(0.4)
Profit for the year	<b>90.8</b>	55.2
Profit for the year attributable to:		
Owners of the Company	<b>93.5</b>	57.3
Non-controlling interests	<b>(2.7)</b>	(2.1)
	<b>90.8</b>	55.2

## **BUSINESS REVIEW**

Over the past year, U.S. China trade tensions escalate again as trade dispute continues. Global technology supply chain is threatened by prospects of US Sanctions, while Brexit-related uncertainties remain. Under these long-standing, ongoing, and difficult circumstances, global economic growth rate remains weak. Although the six-month delay of Brexit announced in early April 2019 provides an initial buffer, the escalation of trade tensions in May 2019 and concerns about disruption of the technology supply chain have destroyed market confidence. In the second half of year 2019, trade policy uncertainties, geopolitical tensions, and tensions in major emerging market economies continue to drag down global economic activities, especially manufacturing and trade. The outbreak and worldwide spread of COVID-19 pandemic in early year 2020 paralysed economic activities and posed severe impacts. Additionally, Hong Kong's economy has also been hit by unprecedented impact with the social movement that happened in Hong Kong in the second half of year 2019, which has led the social atmosphere to become tense.

During the year under review, in light of the challenging external environment and the volatile global economic environment, the Group's revenue by segment was HK\$1,322.0 million (2019: HK\$1,674.9 million) decreased by 21.1%. Among which semiconductor distribution business recorded a revenue of HK\$1,259.2 million (2019: HK\$1,602.4 million), consumer product and brand omni-channel business recorded a revenue of HK\$74.9 million (2019: HK\$88.5 million), venture capital business recorded a loss of HK\$15.3 million (2019: HK\$23.9 million) and internet social media business recorded a revenue of HK\$3.2 million (2019: HK\$7.9 million).

### **Semiconductor Distribution Business**

According to a report published by Gartner, an international research and advisory firm, the memory market experienced a 31.5% decline in revenue in year 2019. Worldwide semiconductor revenue declined 11.9% to US\$418.3 billion in year 2019. Despite the social movement and the outbreak of the COVID-19 pandemic, its impact has not yet been fully reflected within this year. During the year under review, the semiconductor distribution business recorded a turnover of HK\$1,259.2 million (2019: HK\$1,602.4 million). The subsidiary in Singapore is still a major revenue contributor for the Group, contributing approximately HK\$1,251.8 million, followed by a subsidiary in Hong Kong, with a turnover of approximately HK\$7.4 million. The main products sold to the Singapore market are thin film transistor liquid crystal displays and panels which are widely used in LCD televisions, followed by memory chips for smartphone. Singapore focuses business in Southeast Asian countries such as India, Thailand, Malaysia and Philippines.

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 5.8% increase to HK\$26,095 million (2019: HK\$24,676 million). Profit sharing of AVPEL Group is increased when comparing to the previous 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.

Gartner pointed out that the semiconductor markets will experience a reduction in smartphones, consumer electronics, and automobile production due to the impact of COVID-19 on semiconductor's supply and demand. Worldwide semiconductor revenue is forecasted to decline 0.9% in year 2020.

With the advent of the 5th generation mobile networks ("5G") era, when the pandemic is under control in the second half of year 2020, 5G will be one of the most important promoters of the global economic recovery.

The global 5G semiconductor market is expected to reach US\$31.5 billion in year 2023, accounting for 5.7% of the global semiconductor market of US\$556.1 billion. We hope that the negative impacts of the COVID-19 pandemic will be buffered with the strong demand brought by 5G in the future.

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

With the integration and update for the consumer product and brand omni-channel business in year 2018, the business segment is managed by one of the subsidiaries, E-GoGo Limited ("E-GoGo"). In terms of consumer product business, we mainly carry electronic products including long-lasting traditional household white goods to the latest technology gadgets which target markets in Hong Kong, Macau, Singapore, Indonesia and Vietnam. In addition to the three major businesses namely brand management, brand licensing and product procurement, E-GoGo also actively develops online and offline omni-channel services. During the year under review, Hong Kong's retail business has been negatively affected under the impacts of the social movements in Hong Kong and the COVID-19 pandemic. Nevertheless, the consumer product business, coupled with the new team from a number of countries in Southeast Asia, and the omni-channel business, still recorded a turnover of HK\$74.9 million (2019: HK\$88.5 million). During the year under review, E-GoGo mainly developed e-commerce business in Indonesia, providing one-stop marketing solution that includes brand strategy, e-commerce, digital advertising, client relations, community management, IT solution, consultation services, warehouse management and logistics for the well-known companies such as Philips and Lining in the local market.

In addition to B2B business, the Group is also actively expanding the business model of other businesses such as B2C business to diversify income and strengthen the brand's omni-channel business. The Group is committed to becoming a provider of technology development and solutions for leading e-commerce business partner brands in the Southeast Asian market, with the aim of promoting and cooperating with the development of the enterprises and making them known to the public.

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 from multiple brands, including main brands such as Nakamichi and Philips. In addition to its rapidly growing market share in the consumer product industry, these world-renowned brands have started using E-GoGo's e-commerce service, providing comprehensive online and offline marketing strategies and appropriate market analysis, channel coverage recommendations and assessment for the Southeast Asia markets.

### **Internet Social Media Business**

During the year under review, revenue from 830 Media Limited ("830 Media") was HK\$3.2 million (2019: HK\$7.9 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 popular topics and publishes these original creative videos on major social media platforms including Facebook, YouTube, Instagram, etc. to attract the new generation of young consumers to become loyal fans of these original content. During the year under review, Whizoo Media successfully attracted attention between international and local famous brands, cooperated with DBS Bank (Hong Kong), Nike, Cadbury, Coca-Cola, Body Shop, Fortress, Osim, Pandora Jewelry and 3 Hong Kong, through different levels of one-stop creative content solutions and introductions of related products or services on the Facebook page of Whizoo Media. Its high-quality original videos are acclaimed, attracting a lot of pageviews. It attracted approximately 284,000 fans on its Facebook page and 118,000 subscribers on its YouTube channels. However, Whizoo Media's advertising revenue has declined under the influence of the social movement in Hong Kong in the second half of year 2019 followed by the impacts brought by the COVID-19 pandemic.

With Whizoo Media's operating strategy, 830 Media also launched the Facebook page "He She Kids" for parents. The page is developing rapidly and is popular among parents. It provides lots of baby care information and videos.

In addition to its commitment to develop original bands, 830 Media has also invested in OneShot Concept Limited, an associate company which owns the "冬 OT" brand, for a more diversified development strategy in the internet social media business.

The innovation and emerging of information technology make daily life and commercial activities closely linked to the electronic network, especially given how the use of social media has revolutionised the consumption patterns of the society as a whole. 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 recorded a loss of HK\$15.3 million (2019: HK\$23.9 million), that is mainly for the fair value losses on financial assets at fair value through profit or loss, net, interest income on convertible bonds, listed bond investments and a loan receivable, and dividend income from listed equity investments in the current year. As of 31 March 2020, 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\$103.7 million (31 March 2019: HK\$140.8 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, net of HK\$18.8 million (2019: HK\$28.5 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 2020, 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**

International Monetary Fund's "World Economic Outlook" revealed that there is extreme uncertainty around the global growth forecast. The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the COVID-19 pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes, confidence effects, and volatile commodity prices. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices.

Popularity and reliance of the internet era, 5G technology and the pressing needs for high-speed connections will increase the demand for cloud services, data centers, network security and network management services, which may bring new opportunities for the Group and industry. It is expected that from year 2020 to year 2023, phone replacement will be buoyed by the growing maturity of 5G mobile phone technology and towards completeness of network communication infrastructure. The production capacities of major mobile phone manufacturers have basically recovered as production in various industries in China has gradually resumed, and overall industrial chain has resumed normal. Experts from the industry believe that as the COVID-19 pandemic gradually eases, consumers' consumption enthusiasm will also gradually increase. Some sectors may usher in waves of consumption.

In addition, according to the annual "e-Conomy SEA 2019" co-published by Google, Temasek and Bain & Company, by year 2025, the internet economy is expected to reach US\$300 billion. Southeast Asians are the most engaged mobile internet users in the world. There are 360 million internet users in the region and 90% of them connect to the internet primarily through their mobile phones. The internet economies in Malaysia, Thailand, Singapore and Philippines are growing at a rate between 20% and 30% annually; while Indonesia and Vietnam are having a growth rate of 40% annually. We believe this will benefit E-GoGo's business in Indonesia.

In addition, iiMedia Research, a data mining and analysis organization for new economic industries pointed out that short video networking will be the main direction of social tools of the next generation. When comparing to text, video social networking is relatively more interactive, immersive and synchronised, which can attract diverse and strong social impulsive young users. Industry experts predict that video social networking is expected to grow vigorously with the popularity of 5G. With further acceleration of the online and offline integration of traditional businesses, new type of consumption based on social platforms will usher in room for growth in the future, bringing new opportunities to the Group's internet social media business.

The Group will continue to leverage its leading industry position, strong reputation, stable development of the Asia-Pacific market and competitive advantages to adopt a proactive and prudent development strategy and to seize every opportunity 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 2020 are shown as follows:

	<b>2020</b> <i>HK\$'million</i>	2019 <i>HK\$'million</i>
Cash and cash equivalents	<b>87.7</b>	106.0
Financial assets at fair value through profit or loss (included in current assets)	<b>79.8</b>	117.6
	<b>167.5</b>	223.6
Borrowings, lease liabilities and finance lease payables	<b>104.5</b>	76.5
Total equity	<b>1,181.0</b>	1,115.6
Total debt to total equity	<b>9%</b>	7%

As at 31 March 2020, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institution) of HK\$87.7 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\$79.8 million (31 March 2019: HK\$117.6 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 2020 was 9% (31 March 2019: 7%), while the Group's total equity as at 31 March 2020 was HK\$1,181.0 million (31 March 2019: HK\$1,115.6 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 2020 of HK\$167.5 million (31 March 2019: HK\$223.6 million).

The working capital position of the Group remains healthy. As at 31 March 2020, the liquidity ratio was 176% (2019: 215%).

	<b>2020</b> <i>HK\$'million</i>	2019 <i>HK\$'million</i>
Current assets	<b>343.0</b>	397.4
Current liabilities	<b>(195.4)</b>	(184.6)
Net current assets	<b>147.6</b>	212.8
Current assets to current liabilities	<b>176%</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 31 March 2020, the Group recorded financial assets at fair value through profit or loss of approximately HK\$103.7 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 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 27 of this annual results announcement.

## **EMPLOYEES**

As at 31 March 2020, the Group employed a total of approximately 178 (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**

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

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in the Code on Corporate Governance and Corporate Governance Report (the “Corporate Governance Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 31 March 2020, 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. In addition, under the supervision of the Board which is comprised of three executive Directors and four independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2020.

## **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 four independent non-executive Directors, namely Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles Edward Chapman, Mr. Wong Ka Kit and Mr. Lai Yat Hung Edmund, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the consolidated financial statements for the year ended 31 March 2020.

## **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 2020 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\$0.025 (2019: HK\$0.020) per share for the year ended 31 March 2020 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 Friday, 28 August 2020, will be payable on Friday, 18 September 2020 to shareholders whose names appear on the registrar of members of the Company on Friday, 4 September 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The Annual General Meeting of the Company is scheduled on Friday, 28 August 2020. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020, 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 Monday, 24 August 2020.

In order to determine the list of shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2020, the Company's register of members will be closed from Thursday, 3 September 2020 to Friday, 4 September 2020, 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 Wednesday, 2 September 2020.



## **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](http://www.hkexnews.hk) and at the website of the Company at [www.avconcept.com](http://www.avconcept.com). An annual report for the year ended 31 March 2020 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, 24 June 2020

*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 four independent non-executive Directors, Dr. Lui Ming Wah, SBS, JP, Mr. Charles Edward Chapman, Mr. Wong Ka Kit and Mr. Lai Yat Hung Edmund.*