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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Statement of Profit or Loss Highlights

	Six months ended 30 September	
	2016	2015
	HK$'million	*HK$'million*
Revenue		
– Semiconductor distribution	**565.0**	591.2
– Consumer electronic product sales	**13.9**	23.9
– Others	**0.4**	1.6
	579.3	616.7
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	**(10.4)**	(12.0)
– Venture capital	**42.2**	(16.1)
– Semiconductor distribution	**106.5**	52.3
– Consumer electronic product sales	**(4.0)**	(2.1)
– Others	**(3.8)**	(8.9)
	130.5	13.2
Depreciation and amortisation	**(1.8)**	(4.0)
Profit for the period attributable to:		
Owners of the Company	**119.9**	6.3
Non-controlling interests	**–**	–
	119.9	6.3
Interim dividend	**–**	–

Statement of Financial Position Highlights

	30 September 2016 *HK$'million*	31 March 2016 *HK$'million*
Total assets	**1,006.1**	884.5
Total assets less current liabilities	**800.9**	681.0
Total equity	**778.1**	657.6
Borrowings and finance lease payables	**131.7**	137.2
Cash and cash equivalents	**190.5**	69.6
Equity investments at fair value through profit or loss	**12.0**	73.0
Cash and cash equivalents and equity investments	**202.5**	142.6
Total debt to total equity (%)	**17%**	21%
Current assets to current liabilities (%)	**186%**	147%
Cash and cash equivalents and equity investments per share (HK$)	**0.26**	0.18
Total equity per share (HK$)	**1.01**	0.85

UNAUDITED INTERIM RESULTS

The Board of Directors of AV Concept Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 September 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2016	2015
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**579,335**	616,741
Cost of sales		**(553,516)**	(599,657)
Gross profit		**25,819**	17,084
Other income and gains	*4*	**5,638**	4,370
Selling and distribution expenses		**(4,481)**	(7,389)
Administrative expenses		**(32,738)**	(49,467)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss			
– held for trading		**(2,591)**	(15,650)
– designated as such upon initial recognition		**46,187**	1,801
Other expenses, net		**(13,485)**	(17,703)
Finance costs	*5*	**(1,699)**	(3,216)
Share of profits and losses of:			
Joint ventures		**95,807**	71,985
Associates		**1,727**	4,171
Profit before tax	*6*	**120,184**	5,986
Income tax	*7*	**(316)**	265
Profit for the period		**119,868**	6,251
Attributable to:			
Owners of the Company		**119,869**	6,250
Non-controlling interests		**(1)**	1
		119,868	6,251
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**HK$0.155**	HK$0.008
Diluted		**HK$0.155**	HK$0.008

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**119,868**	6,251
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**712**	(4,352)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**712**	(4,352)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**120,580**	1,899
Attributable to:		
Owners of the Company	**120,581**	1,898
Non-controlling interests	**(1)**	1
	120,580	1,899

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2016 (unaudited) HK$'000	31 March 2016 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**39,272**	40,605
Investment properties		**116,518**	116,762
Goodwill		**10,483**	10,483
Other intangible assets		**3,670**	4,198
Investments in joint ventures		**390,436**	370,153
Investments in associates		**24,185**	22,439
Convertible bond		**19,425**	–
Available-for-sale investments		**20,891**	20,891
Deposits		**597**	466
Pledged time deposits		**–**	269
Total non-current assets		**625,477**	586,266
CURRENT ASSETS			
Inventories		**84,816**	69,259
Trade receivables	*10*	**72,077**	63,994
Due from associates		**4,601**	12,157
Prepayments, deposits and other receivables		**16,525**	10,164
Equity investments at fair value through profit or loss		**11,984**	72,994
Tax recoverable		**112**	117
Cash and cash equivalents		**190,489**	69,563
Total current assets		**380,604**	298,248
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	*11*	**69,455**	62,652
Interest-bearing bank and other borrowings		**122,520**	127,480
Finance lease payables		**301**	287
Tax payable		**12**	185
Financial guarantee obligation		**12,866**	12,866
Total current liabilities		**205,154**	203,470
NET CURRENT ASSETS		**175,450**	94,778
TOTAL ASSETS LESS CURRENT LIABILITIES		**800,927**	681,044

	30 September 2016 (unaudited) *HK$'000*	31 March 2016 (audited) *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**8,407**	8,826
Finance lease payables	**450**	610
Deferred tax liabilities	**13,928**	14,046
Total non-current liabilities	**22,785**	23,482
Net assets	**778,142**	657,562
EQUITY		
Issued capital	**77,294**	77,294
Reserves	**689,504**	568,923
Equity attributable to owners of the Company	**766,798**	646,217
Non-controlling interests	**11,344**	11,345
Total equity	**778,142**	657,562

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 April 2016.

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

3. SEGMENT INFORMATION

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

(a) the semiconductor distribution segment engages in the sale and distribution of electronic components;

(b) the consumer electronic product segment engages in the design, development and sale of electronic products;

(c) the venture capital segment engages in the investments in listed/unlisted equity investments with an ultimate objective of obtaining capital gains on investee's equity listing or, in some circumstances, prior to listing. It also includes investments in real estates or managed funds; and

(d) the others segment mainly comprises the Group's mobile application development business.

3. SEGMENT INFORMATION (CON'T)

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, provision for amounts due from associates, gain on disposal of items of property, plant and equipment, finance costs and unallocated expenses are excluded from such measurement.

Information regarding the above segments is reported below.

Six months ended 30 September 2016 (Unaudited)

	Semiconductor distribution *HK$'000*	Consumer electronic product *HK$'000*	Venture capital *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales to external customers	**565,019**	**13,888**	**–**	**428**	**579,335**
Other revenue	**–**	**–**	**43,240**	**–**	**43,240**
Total	**565,019**	**13,888**	**43,240**	**428**	**622,575**
Reconciliation:					
Less: Other revenue *(note)*					**(43,240)**
Revenue as presented in the condensed consolidated statement of profit or loss					**579,335**
Segment results	**6,345**	**(3,983)**	**41,941**	**(3,763)**	**40,540**
Reconciliation:					
Bank interest income					**284**
Dividend income from listed investments					**188**
Rental income					**3,060**
Share of profits of joint ventures					**95,807**
Share of profits and losses of associates					**1,727**
Provision for amounts due from associates					**(9,356)**
Gain on disposal of items of property, plant and equipment					**61**
Unallocated expenses					**(10,428)**
Finance costs					**(1,699)**
Profit before tax					**120,184**

3. SEGMENT INFORMATION (CON'T)

Six months ended 30 September 2015 (Unaudited)

	Semiconductor distribution *HK$'000*	Consumer electronic product *HK$'000*	Venture capital *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales to external customers	591,278	23,873	–	1,590	616,741
Other revenue	–	–	(13,731)	–	(13,731)
Total	591,278	23,873	(13,731)	1,590	603,010
Reconciliation:					
Add: Other revenue *(note)*					13,731
Revenue as presented in the condensed consolidated statement of profit or loss					616,741
Segment results	(23,308)	(2,051)	(16,480)	(9,856)	(51,695)
Reconciliation:					
Bank interest income					92
Dividend income from listed investments					46
Rental income					2,670
Share of profits of joint ventures					71,985
Share of profits and losses of associates					4,171
Unallocated expenses					(18,067)
Finance costs					(3,216)
Profit before tax					5,986

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

3. SEGMENT INFORMATION (CON'T)

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

	Semiconductor distribution *HK$'000*	Consumer electronic product *HK$'000*	Venture capital *HK$'000*	Others *HK$'000*	Total *HK$'000*
Period ended 30 September 2016 (unaudited)					
Segment assets	**537,162**	**90,683**	**45,535**	**647**	**674,027**
Reconciliation:					
Elimination of intersegment receivables					**(303,962)**
Investments in joint ventures					**390,436**
Investments in associates					**24,185**
Corporate and other unallocated assets					**221,395**
Total assets					**1,006,081**
Segment liabilities	**66,027**	**136,401**	**140,973**	**26,756**	**370,157**
Reconciliation:					
Elimination of intersegment payables					**(303,962)**
Corporate and other unallocated liabilities					**161,744**
Total liabilities					**227,939**
Year ended 31 March 2016 (audited)					
Segment assets	491,086	91,121	78,969	859	662,035
Reconciliation:					
Elimination of intersegment receivables					(277,195)
Investments in joint ventures					370,153
Investments in associates					22,439
Corporate and other unallocated assets					107,082
Total assets					884,514
Segment liabilities	54,251	135,630	121,844	22,289	334,014
Reconciliation:					
Elimination of intersegment payables					(277,195)
Corporate and other unallocated liabilities					170,133
Total liabilities					226,952

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Semiconductor distribution	**565,019**	591,278
Consumer electronic product sales	**13,888**	23,873
Others	**428**	1,590
	579,335	616,741
Other income and gains		
Bank interest income	**284**	92
Recovery of bad debts	**–**	542
Dividend income from listed investments	**188**	46
Gain on disposal of items of property, plant and equipment	**61**	–
Rental income	**3,060**	2,670
Foreign exchange gain, net	**1,250**	–
Others	**795**	1,020
	5,638	4,370

5. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**1,516**	3,112
Interest on mortgage loans	**164**	93
Interest on finance lease	**19**	11
	1,699	3,216

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,248**	1,993
Amortisation of other intangible assets	**511**	2,037
Foreign exchange differences, net	**(1,250)**	7,069
Loss on disposal of available-for-sale investments	**–**	7,338
Impairment of trade receivables, net	**1,861**	1,424
Provision for amounts due from associates	**9,356**	–
Equity-settled share option expense	**–**	4,756

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax	**440**	139
Deferred tax	**(124)**	(404)
Total tax charge/(credit) for the period	**316**	(265)

8. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2016 and 30 September 2015. The directors do not recommend the payment of an interim dividend.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 772,944,419 (30 September 2015: 772,944,419) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings 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.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

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

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**119,869**	6,250

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CON'T)

	Number of shares	
	30 September 2016	30 September 2015
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**772,944,419**	772,944,419
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	69,372
	772,944,419	773,013,791

10. TRADE RECEIVABLES

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK$'000	*HK$'000*
Trade receivables	**80,492**	70,466
Impairment	**(8,415)**	(6,472)
	72,077	63,994

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

10. TRADE RECEIVABLES (CON'T)

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

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK$'000	*HK$'000*
Current	**60,984**	52,288
1 to 30 days	**4,587**	3,896
31 to 60 days	**1,745**	432
Over 60 days	**13,176**	13,850
	80,492	70,466

11. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK$'000	*HK$'000*
Trade payables	**42,897**	37,644
Deposits received	**14,031**	10,897
Accrued expenses	**12,527**	14,111
	69,455	62,652

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

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK$'000	*HK$'000*
Current	**37,092**	29,110
1 to 30 days	**3,498**	6,381
Over 60 days	**2,307**	2,153
	42,897	37,644

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

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2016, with the comparative figures for the corresponding six months period of 2015.

	Six months ended 30 September	
	2016	2015
	HK$'million	*HK$'million*
Segment Revenue		
Semiconductor distribution	**565.0**	591.2
Consumer electronic product sales	**13.9**	23.9
Venture capital	**43.3**	(13.7)
Others	**0.4**	1.6
	622.6	603.0
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**(10.4)**	(12.0)
Venture capital	**42.2**	(16.1)
Semiconductor distribution	**106.5**	52.3
Consumer electronic product sales	**(4.0)**	(2.1)
Others	**(3.8)**	(8.9)
	130.5	13.2
Depreciation and amortisation		
Corporate	**–**	(0.1)
Venture capital	**(0.2)**	(0.2)
Semiconductor distribution	**(1.6)**	(2.8)
Consumer electronic product sales	**–**	–
Others	**–**	(0.9)
Total depreciation and amortisation	**(1.8)**	(4.0)
Profit before interest and tax	**121.6**	9.1
Interest expenses	**(1.7)**	(3.2)
Bank interest income	**0.3**	0.1
Profit before tax	**120.2**	6.0
Income tax	**(0.3)**	0.3
Profit for the period	**119.9**	6.3
Profit for the period attributable to:		
Owners of the Company	**119.9**	6.3
Non-controlling interests	**–**	–
	119.9	6.3

BUSINESS REVIEW

Global economy steadily held up during the third quarter of 2016 with stock market slightly bounced back. China's industrial sector and general activity levels rebounded after a significant slowdown during 2015, with policymakers demonstrating a commitment to near-term stability through substantial fiscal spending on infrastructure and domestic consumptions. Having said that, China's economy expanded 6.7% in the third quarter of 2016 with slightly stronger consumer confidence as salaries continued to rise and unemployment stayed low. However, the real recovery is yet to come as the economy is still under huge pressure with growing uncertainties in the macro-environment.

During the period under review, the Group's segment revenue was HK$622.6 million (2015: HK$603.0 million), slightly increased by 3.3%. Among which semiconductor distribution business recorded a turnover of HK$565.0 million (2015: HK$591.2 million), consumer electronic product business recorded a revenue of HK$13.9 million (2015: HK$23.9 million), venture capital business recorded a revenue of HK$43.3 million (2015: (HK$13.7) million) and mobile application business recorded a revenue of HK$0.4 million (2015: HK$1.6 million).

Semiconductor Distribution Business

During the reviewing period, semiconductor distribution business recorded a turnover of HK$565.0 million (2015: HK$591.2 million). Among which Singapore remains the Group's major market contributing approximately HK$397.1 million, followed by Korea and Hong Kong with turnover of approximately HK$85.3 million and HK$82.6 million respectively. Key products selling to Singapore market include memory chips and thin-film transistor liquid-crystal display. While smartphone as well as liquid-crystal display television sectors are becoming increasingly mature and the tablet sector is getting more competitive, newer technologies are likely to drive another wave of innovation that brings new opportunities to market players.

During the reviewing period, the joint venture of the Group, AVP Electronics Limited and its subsidiaries ("AVPEL Group"), recorded satisfactory results. Its turnover, though not being consolidated into the Group's condensed consolidated financial statements, recorded a 39% surge to HK$9,682 million (2015: HK$6,955 million). The revenue growth is mainly contributed by Samsung electronics products under distribution including multi-chip packages and CMOS images sensors. With the increase in share of profits from AVPEL Group during the reporting period, profit attributable to owners of the Company of HK$119.9 million (2015: HK$6.3 million) was recorded in the current period.

According to the preliminary results from the International Data Corporation Worldwide Quarterly Mobile Phone Tracker, vendors shipped a total of 343.3 million smartphones worldwide in the second quarter of 2016. China smartphone market grew 5.8% year-on-year and 3.6% quarter-on-quarter in the third quarter of 2016. To stand out from the keen competition in Asia, manufacturers of Chinese mobile phones have picked up their pace in terms of innovations. With numerous local brands rapidly expanding their businesses during the period under review, the industry has grown much bigger giving rooms for the healthy development of semiconductors sector. The Group believes the trend will continue for the medium run.

Consumer Electronic Product Business

During the period under review, consumer electronic product business recorded a turnover of HK$13.9 million (2015: HK$23.9 million). With the mission to improve the quality of life of our customers, the Group is focusing on fine-tuning the product mix to include a broader spectrum of goods that accommodate all aspects of life. The Group is currently carrying a wide range of products from durable traditional household white goods, to personal gadgets, high-tech products and lifestyle goods. Among which Akai, Nakamichi and Crazybaby are the most popular and reputable brands. The Group is hoping, by leveraging its existing electronic product distribution network, to explore exciting opportunities within the consumer electronic product industry for broader income source and business sustainability.

Mobile Application Business

During the period under review, the turnover for mobile application business was HK$0.4 million (2015: HK$1.6 million) with contributions from the steadily developing Koocell Limited ("Koocell"). After the rearrangement of business into two separate lines and entities in the prior year, namely online advertising and game development, Koocell continued to grow healthily. For game development, the Group is now focusing the resources to develop the casual games that require shorter period of time to develop than the traditional game. Also, the Group considers casual game will be a trend in game industry in the future. The first casual game developed by the Group, namely "Robo Go", is expected to be published in market in December 2016. Also, the Group has started to develop other casual games and the next casual game, namely "Blocky Run", is expected to be published in market in the first quarter of 2017. For online advertising, the Group is still trying to increase the market share by finding more customers who are interested in digital advertising.

Venture Capital Business

During the period under review, the turnover for venture capital business was HK$43.3 million (2015: (HK$13.7) million) with the fair value gain on equity investments in the current period. As of 30 September 2016, various funds, convertible bond, equity investments and debt securities were held at fair market value of HK$31,409,000 (31 March 2016: HK$72,994,000) in the Group. During the period under review, as compared to same period last year, the venture capital business of the Group recorded a fair value gain on equity investments of HK$43.1 million (2015: fair value loss of HK$13.8 million). After the period ended 30 September 2016, the associate of the Group, Me2on Co., Ltd. ("Me2on"), which is a mobile games developer and publisher headquartered in Korea and is 14.3% owned by the Group, was successfully listed on the Korea Securities Dealers Automated Quotations of the Korean Exchange on 10 October 2016. The management considers the listing of Me2on is a good opportunity to increase the business in venture capital segment. The management cautiously monitor the venture capital business by reference to the world financial markets. Although global economy is volatile with uncertainties ahead, the Group will strive for satisfactory results for its venture capital business.

Prospects

Growth momentum in 2016 is expected to be uneven with considerable downside risks and certain headwinds in the external environment are likely to persist into 2017, the Group is cautiously optimistic about the business and industry outlook.

Current growth in electronics production is the main driver of the global semiconductor industry. Among which, China has been one of the largest and fastest growing markets for semiconductors for the past 10 years and will continue in the near-term. Steadily growing demand for smartphones, tablets, digital televisions, wireless communication infrastructure, and computers is continuously stimulating global demand for semiconductors. Together with the internet boom, the Group is confident in maintaining healthy growth in semiconductor distribution business segment.

And given China is now one of the world's largest smartphone markets, it has come to characterise the way users interact with the world around them. As a truly personal device with its always-on nature, it offers unique opportunities for businesses of all sizes to connect with prospects and consumers in every possible way. After the business realignment of Koocell in the prior year, the Group has been focusing resources on digital advertising and game development to seize the unprecedented opportunities. With the goal of launching two games per year and continuing invest in digital advertising, the Group is working hard on making mobile application business to be another important income driver in the coming years by further enriching games content, gamers' experience and engagement as well as scaling up its targeted mobile advertising.

Whereas for consumer electronic products, the growing convergence of information, communication and entertainment is bringing a new era of consumer electronics industry across the world. With increasing household income as well as more active launching of innovative technological products and rising awareness of quality living, the prospect of global consumer electronic products market remains positive. The Group is continuously working on broadening the product category with focus on lifestyle products and high-tech gadgets to capture the latest market trend.

In view of the continued success of the Group's business as a comprehensive distributor for semiconductors, consumer electronic products and mobile applications, the Group will, by leveraging its leading position, goodwill and competitive advantage, continue adopting prudent development strategies for achieving sustainable growth and bringing satisfactory returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 30 September 2016 and 31 March 2016 and the corresponding gearing ratio are shown as follows:

	30 September 2016	31 March 2016
	HK$'million	*HK$'million*
Cash and cash equivalents	**190.5**	69.6
Equity investments at fair value through profit or loss	**12.0**	73.0
Cash and cash equivalents and equity investments	**202.5**	142.6
Borrowings and finance lease payables	**131.7**	137.2
Total equity	**778.1**	657.6
Total debt to total equity	**17%**	21%

As at 30 September 2016, the Group had cash and cash equivalents (i.e., cash and bank balances, deposits with other financial institution and unpledged time deposits) of HK$190.5 million (31 March 2016: HK$69.6 million), while the Group's equity investments at fair value through profit or loss amounted to HK$12.0 million (31 March 2016: HK$73.0 million). The equity investments included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 30 September 2016 was 17% (31 March 2016: 21%), while the Group's total equity as at 30 September 2016 was HK$778.1 million (31 March 2016: HK$657.6 million), with the total balances of cash and cash equivalents and equity investments as at 30 September 2016 of HK$202.5 million (31 March 2016: HK$142.6 million).

The working capital position of the Group remains healthy. As at 30 September 2016, the liquidity. ratio was 186% (31 March 2016: 147%).

	30 September 2016 *HK$'million*	31 March 2016 *HK$'million*
Current assets	**380.6**	298.2
Current liabilities	**(205.2)**	(203.5)
Net current assets	**175.4**	94.7
Current assets to current liabilities (%)	**186%**	147%

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: Nil).

EMPLOYEES

As at 30 September 2016, the Group employed a total of approximately 176 (31 March 2016: approximately 192) full-time employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates share option schemes for eligible employees to provide incentive to the participants for their contribution and continuing efforts to promote the interests of the Group. Share options and discretionary bonuses are granted based on the Group's and individual's performances.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board of Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 September 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles E. Chapman and Mr. Wong Ka Kit. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed financial reporting process and internal control matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 28 November 2016

As at the date of this announcement, the Board comprises four executive Directors, Dr. So Yuk Kwan (Chairman), Mr. So Chi On, Mr. So Kevin Chi Heng and Mr. So Chi Sun Sunny and three independent non-executive Directors, Dr. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.