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 2017

Statement of Profit or Loss Highlights

	Six months ended 30 September	
	2017	2016
	HK$'million	*HK$'million*
Revenue		
– Semiconductor distribution	**818.3**	565.0
– Consumer electronic product sales	**28.0**	13.9
– Others	**–**	0.4
	846.3	579.3
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	**(15.3)**	(10.4)
– Venture capital	**(1.1)**	42.2
– Semiconductor distribution	**87.1**	106.5
– Consumer electronic product sales	**(1.3)**	(4.0)
– Others	**(2.5)**	(3.8)
	66.9	130.5
Depreciation and amortisation	**(1.7)**	(1.8)
Profit for the period attributable to:		
Owners of the Company	**65.4**	119.9
Non-controlling interests	**–**	–
	65.4	119.9
Interim dividend	**–**	–

Statement of Financial Position Highlights

	30 September 2017 *HK$'million*	31 March 2017 *HK$'million*
Total assets	**1,292.2**	1,280.9
Total assets less current liabilities	**1,108.7**	1,094.0
Total equity	**1,092.5**	1,078.3
Borrowings and finance lease payables	**119.8**	118.4
Cash and cash equivalents	**61.3**	111.6
Equity investments at fair value through profit or loss	**110.8**	102.1
Cash and cash equivalents and equity investments	**172.1**	213.7
Total debt to total equity (%)	**11%**	11%
Current assets to current liabilities (%)	**297%**	335%
Cash and cash equivalents and equity investments per share (HK$) (comparative restated)	**0.19**	0.23
Total equity per share (HK$) (comparative restated)	**1.18**	1.16

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board" or "Directors") of AV Concept Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 September 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September 2017	30 September 2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**846,338**	579,335
Cost of sales		**(826,967)**	(553,516)
Gross profit		**19,371**	25,819
Other income and gains	*4*	**6,632**	5,638
Selling and distribution expenses		**(4,986)**	(4,481)
Administrative expenses		**(35,595)**	(32,738)
Fair value gain/(losses), net:			
Equity investments at fair value through profit or loss			
– held for trading		**(415)**	(2,591)
– designated as such upon initial recognition		**(344)**	46,187
Other expenses, net		**(933)**	(13,485)
Finance costs	*5*	**(2,050)**	(1,699)
Share of profits and losses of:			
Joint ventures		**83,732**	95,807
Associates		**605**	1,727
Profit before tax	*6*	**66,017**	120,184
Income tax	*7*	**(662)**	(316)
Profit for the period		**65,355**	119,868
Attributable to:			
Owners of the Company		**65,355**	119,869
Non-controlling interests		**–**	(1)
		65,355	119,868
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		(Restated)
Basic		**HK$0.070**	HK$0.129
Diluted		**HK$0.070**	HK$0.129

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September 2017	30 September 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**65,355**	119,868
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments: Changes in fair value	**(36,579)**	–
Exchange differences on translation of foreign operations	**853**	712
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	**(35,726)**	712
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**29,629**	120,580
Attributable to:		
Owners of the Company	**29,629**	120,581
Non-controlling interests	**–**	(1)
	29,629	120,580

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2017 HK$'000 (unaudited)	31 March 2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**46,107**	39,261
Investment properties		**116,492**	115,955
Other intangible assets		**3,384**	3,411
Investments in joint ventures		**552,928**	470,321
Investments in associates		**2,151**	1,546
Available-for-sale investments	*10*	**21,627**	21,627
Deposits		**–**	42
Non-pledged time deposits		**3,729**	3,193
Total non-current assets		**746,418**	655,356
CURRENT ASSETS			
Inventories		**47,830**	78,266
Trade receivables	*11*	**60,202**	49,359
Due from associates		**347**	760
Prepayments, deposits and other receivables		**40,437**	21,694
Available-for-sale investment	*10*	**224,724**	261,303
Equity investments at fair value through profit or loss	*12*	**110,845**	102,055
Tax recoverable		**93**	484
Cash and cash equivalents		**61,297**	111,600
Total current assets		**545,775**	625,521
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	*13*	**50,846**	55,516
Interest-bearing bank borrowings		**116,823**	116,073
Finance lease payables		**821**	694
Tax payable		**473**	–
Financial guarantee obligation		**14,551**	14,551
Total current liabilities		**183,514**	186,834
NET CURRENT ASSETS		**362,261**	438,687
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,108,679**	1,094,043

	30 September 2017 HK$'000 (unaudited)	31 March 2017 HK$'000 (audited)
NON-CURRENT LIABILITIES		
Finance lease payables	**2,119**	1,640
Deferred tax liabilities	**14,096**	14,109
Total non-current liabilities	**16,215**	15,749
Net assets	**1,092,464**	1,078,294
EQUITY		
Issued capital	**92,753**	77,294
Reserves	**988,366**	989,655
Equity attributable to owners of the Company	**1,081,119**	1,066,949
Non-controlling interests	**11,345**	11,345
Total equity	**1,092,464**	1,078,294

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 on the historical cost basis except for 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 2017 are the same with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2017.

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 2017.

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 estate, managed funds or convertible bonds; and

(d) the others segment mainly comprises the Group's mobile application 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, gain on disposal of items of property, plant and equipment, provision for amounts due from associates, finance costs and unallocated expenses are excluded from such measurement.

Information regarding the above segments is reported below.

Six months ended 30 September 2017 (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	**818,284**	**28,043**	**–**	**11**	**846,338**
Other revenue	**–**	**–**	**779**	**–**	**779**
Total	**818,284**	**28,043**	**779**	**11**	**847,117**
Reconciliation:					
Less: Other revenue (note)					**(779)**
Revenue as presented in the condensed consolidated statement of profit or loss					**846,338**
Segment results	**200**	**(1,318)**	**(1,146)**	**(2,470)**	**(4,734)**
Reconciliation:					
Bank interest income					**13**
Dividend income from listed investments					**15**
Rental income					**3,066**
Share of profits of joint ventures					**83,732**
Share of profits and losses of associates					**605**
Gain on disposal of items of property, plant and equipment					**626**
Unallocated expenses					**(15,256)**
Finance costs					**(2,050)**
Profit before tax					**66,017**

3. SEGMENT INFORMATION (CON'T)

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

Note: Other revenue in segment revenue was classified as other income and gains and fair value gain/(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 2017 (unaudited)					
Segment assets	**476,812**	**107,803**	**378,022**	**228**	**962,865**
Reconciliation:					
Elimination of intersegment receivables					**(314,016)**
Investments in joint ventures					**552,928**
Investments in associates					**2,151**
Corporate and other unallocated assets					**88,265**
Total assets					**1,292,193**
Segment liabilities	**55,657**	**159,498**	**127,579**	**31,152**	**373,886**
Reconciliation:					
Elimination of intersegment payables					**(314,016)**
Corporate and other unallocated liabilities					**139,859**
Total liabilities					**199,729**
Year ended 31 March 2017 (audited)					
Segment assets	473,705	95,143	390,453	282	959,583
Reconciliation:					
Elimination of intersegment receivables					(291,882)
Investments in joint ventures					470,321
Investments in associates					1,546
Corporate and other unallocated assets					141,309
Total assets					1,280,877
Segment liabilities	63,660	146,329	120,086	29,235	359,292
Reconciliation:					
Elimination of intersegment payables					(291,882)
Corporate and other unallocated liabilities					135,173
Total liabilities					202,583

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September 2017 HK$'000 (unaudited)	30 September 2016 HK$'000 (unaudited)
Revenue		
Semiconductor distribution	**818,284**	565,019
Consumer electronic product sales	**28,043**	13,888
Others	**11**	428
	846,338	579,335
Other income and gains		
Bank interest income	**13**	284
Interest income on convertible bonds	**1,166**	–
Other interest income	**315**	–
Dividend income from listed investments	**15**	188
Gain on disposal of items of property, plant and equipment	**626**	61
Trademark licence income from an associate	**68**	–
Rental income	**3,066**	3,060
Net exchange gain	**1,101**	1,250
Others	**262**	795
	6,632	5,638

5. FINANCE COSTS

	Six months ended 30 September 2017 HK$'000 (unaudited)	30 September 2016 HK$'000 (unaudited)
Interest on bank borrowings	**1,982**	1,516
Interest on mortgage loans	**–**	164
Interest on finance lease	**68**	19
	2,050	1,699

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September 2017	30 September 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**1,723**	1,248
Amortisation of other intangible assets	**9**	511
Foreign exchange differences, net	**(1,101)**	(1,250)
(Recovery of)/Provision for bad debts	**(340)**	1,861
Provision for amounts due from associates	**–**	9,356

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (for the six months ended 30 September 2016: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended	
	30 September 2017	30 September 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Elsewhere		
Charge for the period	**662**	440
Deferred	**–**	(124)
Total tax charge for the period	**662**	316

8. DIVIDEND

During the current period, final dividend of HK$0.02 per share in respect of the year ended 31 March 2017, totalling HK$15,459,000 (for the six months ended 30 September 2016: nil), was declared and paid. 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 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 calculation of basic and diluted earnings per share is based on:

	Six months ended	
	30 September 2017	30 September 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**65,355**	119,869

	Number of shares	
	30 September 2017	30 September 2016 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**927,533,302**	927,533,302
Effect of dilution – weighted average number of ordinary shares:		
Share options	**264,468**	–
	927,797,770	927,533,302

Note: On 19 September 2017, 154,588,883 shares of HK$0.01 each were issued under bonus issue on the basis of one bonus share for every five existing shares. Details of the bonus issue were set out in the announcement of the Company dated 19 September 2017. In determining the weighted average number of ordinary shares in issue during the six months ended 30 September 2017, the 154,588,883 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 April 2017. Earnings per share for the six months ended 30 September 2016 were restated accordingly.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Unlisted equity investments, at cost	**3,893**	3,893
Listed equity investment, at fair value	**224,724**	261,303
Key management insurance contracts, at fair value	**21,627**	21,627
Convertible promissory note, at cost	**15,540**	15,540
Impairment	**(19,433)**	(19,433)
	246,351	282,930
Analysed for reporting purpose as:		
Current assets	**224,724**	261,303
Non-current assets	**21,627**	21,627
	246,351	282,930

The above investments consist of investments in unlisted equity investments, listed equity investment, key management insurance contracts and convertible promissory note, which were designated as available-for-sale investments and have no fixed maturity date or coupon rate.

During the period, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$36,579,000 (for the period ended 30 September 2016: nil).

11. TRADE RECEIVABLES

	30 September 2017 HK$'000 (unaudited)	31 March 2017 HK$'000 (audited)
Trade receivables	**66,517**	55,707
Impairment	**(6,315)**	(6,348)
	60,202	49,359

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.

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 2017 HK$'000 (unaudited)	31 March 2017 HK$'000 (audited)
Current	**32,127**	22,678
1 to 30 days	**24,914**	20,148
31 to 60 days	**–**	2,149
Over 60 days	**9,476**	10,732
	66,517	55,707

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Investment in a joint venture	**30,000**	30,000
Investment in convertible bonds	**61,293**	56,631
Listed equity investments, at market value	**14,665**	15,424
Unlisted equity investments	**4,887**	–
	110,845	102,055

The above equity investments with a carrying amount of HK$4,081,000 (31 March 2017: HK$4,495,000) at 30 September 2017 were classified as held for trading.

13. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	30 September 2017 *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Trade payables	**26,648**	25,920
Deposits received	**11,974**	16,338
Accrued expenses	**12,224**	13,258
	50,846	55,516

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 2017 *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Current	**23,226**	22,581
1 to 30 days	**531**	707
31 to 60 days	**253**	255
Over 60 days	**2,638**	2,377
	26,648	25,920

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 2017, with the comparative figures for the corresponding six months period of 2016.

	Six months ended 30 September 2017 HK$'million	2016 HK$'million
Segment Revenue		
Semiconductor distribution	**818.3**	565.0
Consumer electronic product sales	**28.0**	13.9
Venture capital	**0.8**	43.3
Others	**–**	0.4
	847.1	622.6
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	**(15.3)**	(10.4)
Venture capital	**(1.1)**	42.2
Semiconductor distribution	**87.1**	106.5
Consumer electronic product sales	**(1.3)**	(4.0)
Others	**(2.5)**	(3.8)
	66.9	130.5
Depreciation and amortisation		
Corporate	**–**	–
Venture capital	**(0.5)**	(0.2)
Semiconductor distribution	**(1.1)**	(1.6)
Consumer electronic product sales	**(0.1)**	–
Others	**–**	–
Total depreciation and amortisation	**(1.7)**	(1.8)
Profit before interest and tax	**68.1**	121.6
Interest expenses	**(2.1)**	(1.7)
Bank interest income	**–**	0.3
Profit before tax	**66.0**	120.2
Income tax	**(0.6)**	(0.3)
Profit for the period	**65.4**	119.9
Profit for the period attributable to:		
Owners of the Company	**65.4**	119.9
Non-controlling interests	**–**	–
	65.4	119.9

BUSINESS REVIEW

The cyclical recovery continues with global upswing in economic activity further strengthened. Global growth projected to rise to 3.6 percent in 2017 and 3.7 percent in 2018. Emerging and developing economies are projected to see a sustained pickup in activity, and China will adopt a more gradual pace. China's annual economic growth rate eased to 6.8 percent in the third quarter from 6.9 percent in the second quarter due to the cooling of the property market, but improving domestic demand, sustained state infrastructure spending and stronger corporate earnings will offer support for the economic growth. It is expected China will deepen economic and financial reforms and further open its markets for high-speed quality growth.

During the period under review, the Group's revenue by segment was HK$847.1 million (2016: HK$622.6 million), increased by 36.1%. Among which semiconductor distribution business recorded a turnover of HK$818.3 million (2016: HK$565.0 million), consumer electronic product business recorded a revenue of HK$28.0 million (2016: HK$13.9 million), venture capital business recorded a revenue of HK$0.8 million (2016: HK$43.3 million) and mobile application business recorded a revenue of HK$11,000 (2016: HK$0.4 million).

Semiconductor Distribution Business

During the reviewing period, semiconductor distribution business recorded a turnover of HK$818.3 million (2016: HK$565.0 million). Among which Singapore remains the Group's major market contributing approximately HK$674.1 million, followed by Hong Kong and Korea with turnover of approximately HK$140.8 million and HK$3.4 million respectively. Key products selling to Singapore market include memory chips and thin-film transistor liquid-crystal display. Going forward Singapore will be the core hub covering businesses in Singapore, India and other Asia Pacific regions. 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 19.1% surge to HK$11,529 million (2016: HK$9,682 million). The revenue growth is mainly contributed by Samsung electronics products under distribution including (i) CMOS image sensors (ii) multi-chip packages and (iii) ARM processors. Key customers are major mobile phone manufacturers and mobile component suppliers in China.

According to International Data Corporation, smartphone vendors shipped a total of 373.1 million smartphones worldwide in third quarter 2017, increased by 2.7 percent from 363.4 million units which compared with the corresponding period in 2016. Despite much focus has been on the wide range of high-profile flagship smartphones launched or announced in the third quarter, the industry collectively grown with top players continued driving significant volumes at the high end versus other less dominating Chinese smartphone OEMs made tremendous headway outside of the China domestic market. The mild pickup in the smartphone market will provide near term growth momentum for the Group's semiconductor distribution business. Further, overall consumer confidence stays buoyed in optimistic territory during the period under review, boosted by heightened expectations in the improving economic performance. The Group stays positive on the demand for liquid-crystal display televisions and tablets and also expects the new technologies and changes in consumption habits will continue bringing new opportunities to market players. The Group will focus more resources on the semiconductor distribution business in the mid-long run for more favourable returns.

Consumer Electronic Product Business

During the period under review, consumer electronic product business recorded a turnover of HK$28.0 million (2016: HK$13.9 million). Being mainly run under Signeo Design International Limited ("Signeo Design"), the subsidiary which was established in 2008, the consumer electronic product business is currently divided into 3 sectors, namely Brand Management, Brand Licensing and Product Sourcing.

In terms of Brand Management, 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 with brands coming from domestic and abroad. In terms of Brand Licensing, Signeo Design has secured the brand licensing for Akai and Nakamichi and is quickly gaining market share in the consumer electronics industry with these distinguished brands enabling us to cover a wide range of demographics. Whereas for Product Sourcing, to leverage the Group's network of suppliers and the understanding of customers' requirements and market needs, Signeo Design covers broad scope of product sourcing services including market analysis, proposals and evaluations on consumer products.

Signeo Design has actively involved in global Expo, trade shows and product fairs every year to bring the trendiest products to Asian consumers and will focus on increasing the introduction of high-tech products to capture the growing market.

Mobile Application Business

During the period under review, the turnover for mobile application business was HK$11,000 (2016: HK$0.4 million) with contributions from the Koocell Holdings Limited.

The Group reorganized its Mobile Application Business into Online Media and Games Business in fourth quarter of 2017 by (1) renaming Koocell Holdings Limited into 830 Media Limited, under which (2) renaming Koocell Limited into 830 Lab Limited ("830 Lab"); (3) Introducing the new Whizoo Media Limited ("Whizoo Media") and (4) Koocell Games Limited ("Koocell Games") will remain as the major gaming and mobile application business arm. During the period under review, Koocell Games published a new game "我愛茶餐廳".

830 Lab is the creative content incubator which helps media startups or content creators to get into digital media businesses. Major services provided by 830 Lab include management training, technical support, production support, big data analysis and digital marketing tools. Whizoo Media is an internet media company, which focuses on video production on trending topics. It mainly produces short videos, including interviews, introductions and short comedy dramas. It publishes the videos on different online platforms, such as Facebook, YouTube, Instagram, Line and Wechat.

New media being well loved by young generation and is developing rapidly globally. In order to drive effective communications for enterprises in social media and digital marketing space, the Group is, by leveraging its experience and existing resources in gaming business, to restructure its Online Media and Games Business by creating rooms and channels for creatives to thrive in the world of internet.

Venture Capital Business

During the period under review, the turnover for venture capital business was HK$0.8 million (2016: HK$43.3 million) that is mainly for the fair value gain/(losses) on equity investments and interest income on convertible bonds in the current period. As of 30 September 2017, various funds, investment in a joint venture, convertible bonds and listed and unlisted equity investments were held at fair market value of HK$110.8 million (31 March 2017: HK$102.1 million) in the Group. During the period under review, the venture capital business of the Group recorded a fair value loss on equity investments of HK$0.8 million (2016: fair value gain of HK$43.1 million).

Venture capital business has always been a good income source for the Group. The venture capital business 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 estate, managed funds, investment in a joint venture, or convertible bonds. The most recent investments for venture capital business included Korean-listed companies, IE Limited and Me2on Co., Ltd, and Korean private company, Vinus Entertainment Co., Ltd.

IE Limited mainly engages in game development and influencer marketing platform, SmartPosting. Me2on Co., Ltd. is a mobile game developer and publisher with headquarter in Korea. Vinus Entertainment Co., Ltd. is a mobile game developer with headquarter in Korea. The Group also has other small strategic investments in Mad Runway Holdings Limited, which is the new member of ELLE family committed to creating the most authoritative one-stop fashion shopping platform and Luxury Choice Investments Limited which is one of the world's leading and rapidly-emerging custom watch labels, Undone.

Prospects

Global economy is projected to carry forward its current momentum and to maintain a steady growth in the near term. According to Gartner, Inc., worldwide semiconductor revenue is forecast to total $401.4 billion in 2017, an increase of 16.8 percent from 2016, among which China and other Asia Pacific countries are expected to make concerted effort to join the growing industry. During the period under review, Chinese smartphone market showed a positive uptick in demand as well as supply due to the rise domestic brands. In our view, the semiconductor industry in China is still expanding and will continue its upward trend for the near term. Going forward, as part of our proactive business management strategies, apart from China market, the Group will put more resources in Singapore, India and other Asia Pacific regions market. The Group is working to maintain its market leadership in the semiconductor distribution industry.

As an experienced distributor in consumer electronics, the Group is also expanding into the internet space. Global e-commerce market is in a state of both expansion and consolidation. More consumers are buying digitally, and worldwide retail e-commerce sales are continuously rising. During the period under review, the Group has made its first step into e-commerce by starting its cooperation with PT Tokopedia, one of Indonesia's biggest online market place providing a customer-to-customer retail and investment in Mad Runway Holdings Limited, which is the new member of ELLE family committed to creating the most authoritative one-stop fashion shopping platform. The Group is hoping to capitalize on the existing distribution network and open up e-commerce channels for broader income sources.

The major restructuring done during the fourth quarter of 2017 was on the Online Media and Games Business. Through series of entities renaming and business realignments, the Group is working to consolidate resources on developing the online media segment for capturing the bankable opportunities brought by the booming viral content marketing. Upon the rich resource, renowned talents, sophisticated infrastructure and business synergies from various business arms, the Group is confident in the new Online Media and Games Business and to lead Hong Kong online creative industry to its next new chapter.

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 2017 and 31 March 2017 and the corresponding gearing ratio are shown as follows:

	30 September 2017	31 March 2017
	HK$'million	*HK$'million*
Cash and cash equivalents	**61.3**	111.6
Equity investments at fair value through profit or loss	**110.8**	102.1
Cash and cash equivalents and equity investments	**172.1**	213.7
Borrowings and finance lease payables	**119.8**	118.4
Total equity	**1,092.5**	1,078.3
Total debt to total equity (%)	**11%**	11%

As at 30 September 2017, the Group had cash and cash equivalents (i.e., cash and bank balances, deposits with other financial institution and non-pledged time deposits) of HK$61.3 million (31 March 2017: HK$111.6 million), while the Group's equity investments at fair value through profit or loss amounted to HK$110.8 million (31 March 2017: HK$102.1 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 2017 was 11% (31 March 2017: 11%), while the Group's total equity as at 30 September 2017 was HK$1,092.5 million (31 March 2017: HK$1,078.3 million), with the total balances of cash and cash equivalents and equity investments as at 30 September 2017 of HK$172.1 million (31 March 2017: HK$213.7 million).

The working capital position of the Group remains healthy. As at 30 September 2017, the liquidity. ratio was 297% (31 March 2017: 335%).

	30 September 2017	31 March 2017
	HK$'million	*HK$'million*
Current assets	**545.8**	625.5
Current liabilities	**(183.5)**	(186.8)
Net current assets	**362.3**	438.7
Current assets to current liabilities (%)	**297%**	335%

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

SIGNIFICANT INVESTMENTS

As at 30 September 2017, the Group recorded equity investments at fair value through profit or loss of approximately HK$110.8 million (31 March 2017: approximately HK$102.1 million) and available-for-sale investments of approximately HK$246.4 million (31 March 2017: approximately HK$282.9 million). For a detailed breakdown of equity investments at fair value through profit or loss, please refer to note 12 in condensed consolidated statement of financial position. For the performance during the period and future prospects of equity investments at fair value through profit or loss, please refer to the section "Business Review – Venture Capital Business" on page 20 of this announcement.

For the available-for-sale investments, it comprised carrying amount of HK$224.7 million (31 March 2017: 261.3 million) investment in a Korean-listed company, Me2on and HK$21.6 million (31 March 2017: HK$21.6 million) for key management insurance contracts. For the key management insurance contracts, it is insignificant when compared to the total assets of the Group.

As at both 30 September 2017 and 31 March 2017, the Group held 4,288,212 shares in the issued capital of Me2on, which represented approximately 14.2% of the issued capital of Me2on as at 30 September 2017. The Group did not receive any dividend from Me2on during the period. During the period ended 30 September 2017, the Group recorded a fair value loss for investment in Me2on of approximately HK$36.6 million that was recognised in other comprehensive income. As disclosed in the interim report of Me2on for the six months ended 30 June 2017, Me2on recorded a consolidated net profit attributable to owners of approximately KRW1,574.9 million (equivalent to approximately HK$10.7 million) for the six months ended 30 June 2017. With regards to the future prospects of Me2on, based on published information, the directors of the Company noted that Me2on would continue to focus on mobile game development and being a mobile game publisher with headquarter in Korea.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (2016: Nil).

EMPLOYEES

As at 30 September 2017, the Group employed a total of approximately 177 (31 March 2017: approximately 194) 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 2017, 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 2017.

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 2017.

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 2017.

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 2017

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.