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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 2020

	Six months ended 30 September	
	2020	2019
	<i>HK\$'million</i>	<i>HK\$'million</i>
<b>Statement of Profit or Loss Highlights</b>		
Revenue		
– Semiconductor distribution	<b>518.8</b>	677.2
– Consumer product and brand omni-channel business	<b>23.0</b>	46.8
– Others	<b>1.7</b>	1.7
	<b>543.5</b>	725.7
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	<b>(21.6)</b>	(13.3)
– Venture capital	<b>1.6</b>	(1.3)
– Semiconductor distribution	<b>127.7</b>	81.5
– Consumer product and brand omni-channel business	<b>(3.4)</b>	(9.3)
– Others	<b>(3.3)</b>	(4.5)
	<b>101.0</b>	53.1
Depreciation and amortisation	<b>(2.0)</b>	(2.6)
Profit for the period attributable to:		
Owners of the Company	<b>100.8</b>	52.3
Non-controlling interests	<b>(0.7)</b>	(1.7)
	<b>100.1</b>	50.6

**Statement of Financial Position Highlights**

	<b>30 September 2020 <i>HK\$'million</i></b>	31 March 2020 <i>HK\$'million</i>
Total assets	<b>1,398.2</b>	1,393.8
Total assets less current liabilities	<b>1,277.7</b>	1,198.4
Total equity	<b>1,261.6</b>	1,181.0
Borrowings and lease liabilities	<b>30.6</b>	104.5
Cash and cash equivalents	<b>65.9</b>	87.7
Financial assets at fair value through profit or loss (included in current assets)	<b>77.4</b>	79.8
	<b>143.3</b>	167.5
Total debt to total equity	<b>2%</b>	9%
Current assets to current liabilities	<b>221%</b>	176%
Cash and cash equivalents, and financial assets at fair value through profit or loss (included in current assets) per share ( <i>HK\$</i> )	<b>0.16</b>	0.18
Total equity per share ( <i>HK\$</i> )	<b>1.39</b>	1.30

## 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 2020 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Six months ended	
		30 September 2020	30 September 2019
	NOTES	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>543,539</b>	725,723
Cost of sales		<u>(518,808)</u>	<u>(708,066)</u>
Gross profit		<b>24,731</b>	17,657
Other income and gains	4	<b>8,165</b>	5,775
Selling and distribution expenses		<b>(5,381)</b>	(7,503)
Administrative expenses		<b>(43,225)</b>	(40,443)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		<b>1,395</b>	(1,199)
Other expenses, net		<b>(825)</b>	(1,487)
Finance costs	5	<b>(875)</b>	(2,539)
Share of profits and losses of:			
Joint ventures		<b>116,259</b>	80,657
Associates		<b>(21)</b>	(187)
<b>Profit before tax</b>	6	<b>100,223</b>	50,731
Income tax	7	<b>(128)</b>	(156)
<b>Profit for the period</b>		<b><u>100,095</u></b>	<b><u>50,575</u></b>
Attributable to:			
Owners of the Company		<b>100,812</b>	52,293
Non-controlling interests		<b>(717)</b>	(1,718)
		<b><u>100,095</u></b>	<b><u>50,575</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	9		
Basic		<b><u>HK11.09 cent</u></b>	<u>HK5.75 cent</u>
Diluted		<b><u>HK11.09 cent</u></b>	<u>HK5.75 cent</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Six months ended</b>	
	<b>30 September</b>	30 September
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>100,095</b>	50,575
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	3,212	(2,424)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>3,212</b>	(2,424)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>103,307</b>	48,151
Attributable to:		
Owners of the Company	104,080	49,869
Non-controlling interests	(773)	(1,718)
	<b>103,307</b>	48,151

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2020**

		<b>30 September</b>	31 March
		<b>2020</b>	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and right-of-use assets		<b>33,693</b>	35,423
Investment properties		<b>121,243</b>	120,437
Other intangible assets		<b>3,841</b>	3,850
Investments in joint ventures		<b>924,404</b>	843,019
Investments in associates		<b>627</b>	248
Financial assets at fair value through profit or loss	10	<b>23,891</b>	23,891
Prepayments and deposits		<b>24,165</b>	23,968
		<hr/>	<hr/>
Total non-current assets		<b>1,131,864</b>	1,050,836
<b>CURRENT ASSETS</b>			
Inventories		<b>47,674</b>	82,678
Trade receivables	11	<b>49,538</b>	78,935
Due from associates		<b>115</b>	115
Prepayments, deposits and other receivables		<b>25,634</b>	13,669
Financial assets at fair value through profit or loss	10	<b>77,404</b>	79,839
Tax recoverable		<b>–</b>	1
Cash and cash equivalents		<b>65,939</b>	87,747
		<hr/>	<hr/>
Total current assets		<b>266,304</b>	342,984
<b>CURRENT LIABILITIES</b>			
Trade payables, deposits received and accrued expenses	12	<b>35,329</b>	43,480
Contract liabilities		<b>12,158</b>	5,785
Lease liabilities		<b>3,001</b>	3,624
Interest-bearing bank borrowings		<b>25,743</b>	97,811
Tax payable		<b>935</b>	1,436
Financial guarantee obligation		<b>43,301</b>	43,301
		<hr/>	<hr/>
Total current liabilities		<b>120,467</b>	195,437
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>145,837</b>	147,547
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,277,701</b>	1,198,383
		<hr/>	<hr/>

	<b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 March 2020 <i>HK\$'000</i> (audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>1,834</b>	3,088
Deferred tax liabilities	<b>14,280</b>	14,298
	<hr/>	<hr/>
Total non-current liabilities	<b>16,114</b>	17,386
	<hr/>	<hr/>
Net assets	<b>1,261,587</b>	1,180,997
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Issued capital	<b>90,866</b>	90,866
Reserves	<b>1,159,985</b>	1,078,622
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>1,250,851</b>	1,169,488
Non-controlling interests	<b>10,736</b>	11,509
	<hr/>	<hr/>
Total equity	<b>1,261,587</b>	1,180,997
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

### 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 consumer products and brand omni-channel business, and venture capital investment.

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 September 2020 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA effective as of 1 April 2020.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of material</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adoption)</i>

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 September 2020.

The adoption of the above revised HKFRSs has had no material impact on the interim condensed consolidated financial statements.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer 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, finance costs and unallocated expenses are excluded from such measurement.

Information regarding the above segments is reported below.

#### Six months ended 30 September 2020 (Unaudited)

	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>
Segment revenue:					
Sales to external customers	518,814	23,057	–	1,668	543,539
Other revenue	–	–	3,002	–	3,002
Total	518,814	23,057	3,002	1,668	546,541
Reconciliation:					
Less: Other revenue ( <i>note</i> )					(3,002)
Revenue as presented in the condensed consolidated statement of profit or loss					<u>543,539</u>
Segment results	10,378	(3,531)	894	(3,267)	4,474
Reconciliation:					
Bank interest income					27
Rental income					1,957
Share of profits of joint ventures					116,259
Share of losses of associates					(21)
Unallocated expenses					(21,598)
Finance costs					(875)
Profit before tax					<u>100,223</u>



### 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 September 2019 (Unaudited)

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

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

### 3. OPERATING SEGMENT INFORMATION (Continued)

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

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and brand omni- channel business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Period ended 30 September 2020 (unaudited)</b>					
<b>Segment assets</b>	622,600	123,116	96,934	3,237	845,887
Reconciliation:					
Elimination of intersegment receivables					(489,411)
Investments in joint ventures					924,404
Investments in associates					627
Corporate and other unallocated assets					116,661
Total assets					<u>1,398,168</u>
<b>Segment liabilities</b>	23,352	238,762	205,895	59,883	527,892
Reconciliation:					
Elimination of intersegment payables					(489,411)
Corporate and other unallocated liabilities					98,100
Total liabilities					<u>136,581</u>
<b>Year ended 31 March 2020 (audited)</b>					
<b>Segment assets</b>	673,365	113,590	100,094	4,050	891,099
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>1,393,820</u>
<b>Segment liabilities</b>	32,873	229,927	211,098	54,641	528,539
Reconciliation:					
Elimination of intersegment payables					(479,199)
Corporate and other unallocated liabilities					163,483
Total liabilities					<u>212,823</u>

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

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

##### Revenue

	Six months ended	
	30 September 2020 <i>HK\$'000</i> (unaudited)	30 September 2019 <i>HK\$'000</i> (unaudited)
<b>Revenue from contracts with customers</b>		
Semiconductor distribution	518,814	677,230
Consumer product sales and brand omni-channel business	23,057	46,829
Others	1,668	1,664
	<u>543,539</u>	<u>725,723</u>

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

*For the six months ended 30 September 2020 (Unaudited)*

Segments	Semiconductor distribution <i>HK\$'000</i>	Consumer product and brand omni-channel business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenue from contracts with customers	<u>518,814</u>	<u>23,057</u>	<u>1,668</u>	<u>543,539</u>
<b>Geographical markets</b>				
Hong Kong	81	18,865	1,668	20,614
Singapore	518,733	1,718	–	520,451
Taiwan	–	418	–	418
Indonesia	–	2,056	–	2,056
Total revenue from contracts with customers	<u>518,814</u>	<u>23,057</u>	<u>1,668</u>	<u>543,539</u>
<b>Timing of revenue recognition</b>				
Transferred at a point in time	<u>518,814</u>	<u>23,057</u>	<u>1,668</u>	<u>543,539</u>

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

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

For the six months ended 30 September 2019 (Unaudited)

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

##### Other income and gains

	<b>Six months ended</b>	
	<b>30 September 2020 <i>HK\$'000</i> (unaudited)</b>	<b>30 September 2019 <i>HK\$'000</i> (unaudited)</b>
Bank interest income	27	185
Interest income on listed bond investments	1,524	2,193
Dividend income from listed equity investments	11	23
Rental income	1,957	2,609
Government grants	3,127	–
Foreign exchange differences, net	669	301
Others	850	464
	<u>8,165</u>	<u>5,775</u>

## 5. FINANCE COSTS

	Six months ended	
	30 September 2020 <i>HK\$'000</i> (unaudited)	30 September 2019 <i>HK\$'000</i> (unaudited)
Interest on bank borrowings	766	2,385
Interest on lease liabilities	109	154
	<u>875</u>	<u>2,539</u>

## 6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September 2020 <i>HK\$'000</i> (unaudited)	30 September 2019 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	692	1,605
Depreciation of right-of-use assets	1,271	950
Amortisation of other intangible assets	9	9
Loss on disposal of other intangible assets	–	60
Foreign exchange differences, net	(669)	(301)
	<u>(669)</u>	<u>(301)</u>

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (for the six months ended 30 September 2019: 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 2020 <i>HK\$'000</i> (unaudited)	30 September 2019 <i>HK\$'000</i> (unaudited)
Current – Elsewhere Charge for the period	<u>128</u>	<u>156</u>

## 8. DIVIDEND

	Six months ended	
	30 September 2020 <i>HK\$'000</i> (unaudited)	30 September 2019 <i>HK\$'000</i> (unaudited)
Declared interim dividend – HK\$0.010 (2019: nil) per ordinary share	<u>9,087</u>	<u>–</u>

## 8. DIVIDEND (Continued)

During the current period, final dividend of HK\$0.025 (for the six months ended 30 September 2019: HK\$0.020) per share in respect of the year ended 31 March 2020, totalling HK\$22,717,000 (for the six months ended 30 September 2019: HK\$18,173,000), was declared and paid.

Subsequent to 30 September 2020, the Board of Directors has resolved to declare an interim dividend of HK\$0.010 (2019: nil) per share for the six months ended 30 September 2020, payable on or around 31 December 2020 to shareholders whose names appear on the register of members of the Company on 16 December 2020.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 908,663,302 (for the six months ended 30 September 2019: 908,663,302) in issue during the period.

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

	<b>Six months ended</b>	
	<b>30 September</b>	30 September
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>100,812</b>	52,293
	<b>=====</b>	<b>=====</b>
	<b>Number of shares</b>	
	<b>30 September</b>	30 September
	<b>2020</b>	2019
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>908,663,302</b>	908,663,302
	<b>=====</b>	<b>=====</b>

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

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Investment in convertible bonds	4,405	4,405
Listed equity investments	1,453	12,919
Listed bond investments	44,768	42,206
Unlisted equity investments	26,778	20,309
Key management insurance contracts	23,891	23,891
	<u>101,295</u>	<u>103,730</u>
Analysed for reporting purpose as:		
Current assets	77,404	79,839
Non-current assets	23,891	23,891
	<u>101,295</u>	<u>103,730</u>

## 11. TRADE RECEIVABLES

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Trade receivables	60,346	89,743
Impairment	(10,808)	(10,808)
	<u>49,538</u>	<u>78,935</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.

## 11. TRADE RECEIVABLES (Continued)

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:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Within 1 month	19,307	35,125
1 to 2 months	9,478	24,995
2 to 3 months	2,847	3,643
Over 3 months	17,906	15,172
	<u>49,538</u>	<u>78,935</u>

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

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Trade payables	9,550	21,626
Deposits received	1,822	1,534
Accrued expenses	23,957	20,320
	<u>35,329</u>	<u>43,480</u>

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

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Current	1,426	17,225
1 to 30 days	3,081	697
31 to 60 days	711	15
Over 60 days	4,332	3,689
	<u>9,550</u>	<u>21,626</u>

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



## BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2020, with the comparative figures for the corresponding six months period of 2019.

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'million</i>	<i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	<b>518.8</b>	677.2
Consumer product and brand omni-channel business	<b>23.0</b>	46.8
Venture capital	<b>3.0</b>	1.1
Others	<b>1.7</b>	1.7
	<b>546.5</b>	726.8
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	<b>(21.6)</b>	(13.3)
Venture capital	<b>1.6</b>	(1.3)
Semiconductor distribution	<b>127.7</b>	81.5
Consumer product and brand omni-channel business	<b>(3.4)</b>	(9.3)
Others	<b>(3.3)</b>	(4.5)
	<b>101.0</b>	53.1
<i>Depreciation and amortisation</i>		
Corporate	–	–
Venture capital	<b>(0.7)</b>	(0.7)
Semiconductor distribution	<b>(1.1)</b>	(1.3)
Consumer product and brand omni-channel business	<b>(0.2)</b>	(0.5)
Others	–	(0.1)
Total depreciation and amortisation	<b>(2.0)</b>	(2.6)
Profit before interest and tax	<b>101.1</b>	53.1
Interest expenses	<b>(0.9)</b>	(2.5)
Bank interest income	–	0.2
Profit before tax	<b>100.2</b>	50.8
Income tax	<b>(0.1)</b>	(0.2)
Profit for the period	<b>100.1</b>	50.6
Profit for the period attributable to:		
Owners of the Company	<b>100.8</b>	52.3
Non-controlling interests	<b>(0.7)</b>	(1.7)
	<b>100.1</b>	50.6

## **BUSINESS REVIEW**

Although the COVID-19 pandemic has had a huge impact on the global economy, the period of economic stagnation is relatively short. Commercial and trading activities gradually recovered in May 2020 after experiencing a sharp decline in March 2020 and April 2020. According to Fitch's "Global Economic Outlook" report released in September 2020, the growth rate of gross domestic product ("GDP") of multinational economies in the third quarter of this year was faster than previously expected. Among them, China's GDP has returned to the level before the COVID-19 pandemic, and the Asian region is expected to benefit from the recovery of global trade to achieve mild annual growth. COVID-19 pandemic is pushing technology forward in unexpected ways. Among them, 5G, cloud computing, big data, Internet of Things, and artificial intelligence continue to accelerate across the globe, offsetting the negative impact of the Sino-US trade dispute in last year, and driving the entire technology industry, especially the semiconductor industry to fly high.

During the period under review, in light of the challenging external environment and the volatile global economic environment, the Group's revenue by segment was HK\$546.5 million (2019: HK\$726.8 million) decreased by 24.8%. Among which semiconductor distribution business recorded a revenue of HK\$518.8 million (2019: HK\$677.2 million), consumer product and brand omni-channel business recorded a revenue of HK\$23.0 million (2019: HK\$46.8 million), venture capital business recorded a profit of HK\$3.0 million (2019: HK\$1.1 million) and internet social media business recorded a revenue of HK\$1.7 million (2019: HK\$1.7 million).

### **Semiconductor Distribution Business**

According to the report released by Gartner, an international research and advisory organization, COVID-19 pandemic has impacted the supply chain and demand for semiconductor market. However, it is estimated that the global semiconductor business in year 2020 will only slightly decline by 0.9% from last year, and the overall memory market is expected to grow by 13.9% against the trend. Looking back at year 2020, many revolutionary technologies such as artificial intelligence, big data and 5G became mature with more extensive applications. The semiconductor market is expected to maintain considerable growth upon the gradual recovery of the global economy, with industry's long-term prospect remains optimistic. In addition, as per Deloitte's "The Rise of the Four Asia-Pacific Semiconductor Markets" report, Asian region has become the world's largest semiconductor market under the vigorous promotion of local governments, with sales accounting for 60% of the world's total, of which China market accounts for more than 30%.

During the period under review, the semiconductor distribution business recorded a turnover of HK\$518.8 million (2019: HK\$677.2 million) which is mainly contributed by the subsidiary in Singapore. 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 period under review, the joint venture of the Group, AVP Electronics Limited and its subsidiaries (“AVPEL Group”) continued to record satisfactory results. Its turnover, though not being consolidated into the Group’s consolidated financial statements, recorded 4.5% decrease to HK\$11,204 million (2019: HK\$11,735 million). Profit sharing of AVPEL Group is increased when comparing to the previous period due to a better gross profit margin for AVPEL Group during the period under review. 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.

According to Gartner’s latest sales data, COVID-19 pandemic has led to physical store closures and reduced consumption willingness, driving global smartphone sales to drop by 20.4% to 295 million units in the second quarter of year 2020. However, 5G is expected to become a catalyst for the recovery of the smartphone market and will play an active role in promoting the global smartphone market in year 2021.

### **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 period under review, the business of consumer products and brand omni-channel business recorded a turnover of HK\$23.0 million (2019: HK\$46.8 million). Under the impact of the COVID-19 pandemic, Hong Kong’s retail business has been hit hard. On the contrary, Southeast Asia, as one of the hottest e-commerce markets in the world, has recorded satisfactory growth. Indonesia’s e-commerce platform has continued to prosper in the past few years. “Online payment” and “contactless economy” have been on the rapid rise. Indonesian government relaxed its COVID-19 pandemic prevention and control further boosted the surge in e-commerce transaction volume and brought new opportunities to the industry. During the period under review, E-GoGo continued its effort in e-commerce development 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 period under review, revenue from 830 Media Limited ("830 Media") was HK\$1.7 million (2019: HK\$1.7 million), which was contributed from 830 Lab Limited ("830 Lab") and Whizoo Media Limited ("Whizoo Media").

830 Lab is dedicated on helping clients to build online presence for their business. The services provided by 830 Lab are not only the website design and development, but also capable in creating the online content in both photography and videography. 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 period under review, Whizoo Media received a lot of attention and had started cooperation with well-known international and local brands and organizations, such as K11, Nestlé, Lipton, Pizza Hut, Dutch Lady, Whisper, First Aid Beauty, BIODERMA, Sun Life Financial, Mandatory Provident Fund Scheme Authority, Vocational and Professional Education and Training, Investors and Financial Education Council and other brand and institutional clients through different levels of one-stop creative content solutions and introductions of related products or services on the Facebook page and YouTube channel of Whizoo Media. Its high-quality original videos are acclaimed, attracting a lot of pageviews. It attracted approximately 290,000 fans on its Facebook page and 135,000 subscribers on its YouTube channels. Business environment is more difficult under the COVID-19 pandemic and corporate brands have successively reduced their advertising expenditures, Whizoo Media has been affected accordingly.

On the other hand, with Whizoo Media's operating strategy and experience, 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 brands, 830 Media has also invested in OneShot Concept Limited (“OneShot”), an associate company which owns the “冬 OT” brand, for a more diversified development strategy in the internet social media business. OneShot aims at providing customers with a variety of media services through its creativity, especially focusing on social media-based content marketing and dedicated to providing innovative solutions for marketing campaigns. In addition, OneShot also provides photo production and video production related services for a wide range of brands.

With the increasing penetration of the global Internet and mobile phones in recent years, social media penetration is also on the rise, and it is an indisputable fact that online marketing is becoming the major trend. Network influence is more important to individuals and even companies. Platforms, tools and strategies leading the network development emerge anytime and anywhere. The Group will continue to leverage its existing resources to manage its internet social media business through space creation and creative channels in order to thrive in the internet world.

### **Venture Capital Business**

During the period under review, the turnover for venture capital business recorded a profit of HK\$3.0 million (2019: HK\$1.1 million), that is mainly for the fair value gains/(losses) on financial assets at fair value through profit or loss, net, interest income on listed bond investments, and dividend income from listed equity investments in the current period. As of 30 September 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\$101.3 million (31 March 2020: HK\$103.7 million) by the Group. During the period under review, the venture capital business of the Group recorded a fair value gain on financial assets at fair value through profit or loss, net of HK\$1.4 million (2019: fair value loss of HK\$1.2 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 30 September 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

Since the beginning of the epidemic, the World Bank has issued the “Global Economic Outlook Report” and the “Global Financial Stability Report” twice in April and June 2020, respectively. The April 2020 report significantly reduced the 2020 global economic growth rate from 3.3% to -3.0%; the June 2020 report further lowered the 2020 economic growth forecast by 1.9% to -4.9%. It can be seen that the negative impact of the COVID-19 pandemic on the global economy in year 2020 is increasing.

Economic forecast for the whole year 2020 is still uncertain under the current COVID-19 situation. Fortunately, China’s economic development has returned to pre-epidemic levels, and commercial activities in parts of Southeast Asia have gradually returned to the right track. Most economies in the world have stepped up the precautionary and control efforts and seize the opportunity to restart normal economic activities as soon as possible. The World Bank has issued a new round of forecasts in recent months, stating that the global economic recovery will likely begin in year 2021 at an expected growth rate of 5.4%.

Science and technology developed rapidly during the COVID-19 pandemic, among which the global high-tech, media and telecommunications industries continued their high growth. According to Deloitte, the deployment of 5G private networks by enterprises has not been affected by the epidemic. In addition, enterprises and individual users are paying more attention to network equipment and communication technologies, thereby accelerating the deployment of 5G networks and the adoption of 5G equipment. It is expected that 5G will bring new opportunities to the Group as well as the industry.

In addition, many countries and cities implemented relevant epidemic prevention measures and lockdowns restrict civil activities. Citizens began to adapt to the “new normal” of working or engaging in leisure and entertainment activities at home. The technology and hardware and software related to the contactless economy and the stay-at-home economy are being launched successively, which is expected to create a more ideal development environment for e-commerce and 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 30 September 2020 and 31 March 2020 are shown as follows:

	<b>30 September 2020 HK\$'million</b>	31 March 2020 HK\$'million
Cash and cash equivalents	<b>65.9</b>	87.7
Financial assets at fair value through profit or loss (included in current assets)	<b>77.4</b>	79.8
	<b>143.3</b>	167.5
Borrowings and lease liabilities	<b>30.6</b>	104.5
Total equity	<b>1,261.6</b>	1,181.0
Total debt to total equity	<b>2%</b>	9%

As at 30 September 2020, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institutions) of HK\$65.9 million (31 March 2020: HK\$87.7 million), while the Group's financial assets at fair value through profit or loss (included in current assets) amounted to HK\$77.4 million (31 March 2020: HK\$79.8 million). The financial assets at fair value through profit or loss included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 30 September 2020 was 2% (31 March 2020: 9%), while the Group's total equity as at 30 September 2020 was HK\$1,261.6 million (31 March 2020: HK\$1,181.0 million), with the total balances of cash and cash equivalents, and financial assets at fair value through profit or loss (included in current assets) as at 30 September 2020 of HK\$143.3 million (31 March 2020: HK\$167.5 million).

The working capital position of the Group remains healthy. As at 30 September 2020, the liquidity ratio was 221% (31 March 2020: 176%).

	<b>30 September 2020</b>	31 March 2020
	<i>HK\$'million</i>	<i>HK\$'million</i>
Current assets	<b>266.3</b>	343.0
Current liabilities	<b>(120.5)</b>	(195.4)
Net current assets	<b>145.8</b>	147.6
Current assets to current liabilities	<b>221%</b>	176%

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 2020, the Group recorded financial assets at fair value through profit or loss of approximately HK\$101.3 million (31 March 2020: HK\$103.7 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 10 in condensed consolidated statement of financial position. For the performance during the period and future prospects of financial assets at fair value through profit or loss, please refer to the section “Business Review – Venture Capital Business” on page 21 of this announcement.

## **EMPLOYEES**

As at 30 September 2020, the Group employed a total of approximately 178 (31 March 2020: approximately 178) 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 purchased, sold or redeemed any of the Company’s listed securities during the period.



## **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 Code on Corporate Governance and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2020, except for the deviation of code provision A.2.1 of the Corporate Governance Code as express below:

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

The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, under the supervision of the Board of Directors which is comprised of three executive Directors and three independent non-executive Directors, the Board of Directors 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”) contained 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 six months ended 30 September 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”), which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group’s financial reporting processes and internal controls. The Audit Committee, comprising three independent non-executive Directors, namely Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles Edward Chapman and Mr. Lai Yat Hung Edmund, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2020.

## **INTERIM DIVIDEND**

The Board of Directors has resolved to declare an interim dividend of HK\$0.010 (2019: nil) per share for the six months ended 30 September 2020. The interim dividend will be payable on or around 31 December 2020 to shareholder whose names appear on the register of members of the Company on 16 December 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the list of shareholders who are entitled to receive the interim dividend for the six months ended 30 September 2020, the Company's register of members will be closed from Tuesday, 15 December 2020 to Wednesday, 16 December 2020, both days inclusive. Shareholders are reminded that in order to qualify for the interim 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 Monday, 14 December 2020.

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

The interim results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.avconcept.com](http://www.avconcept.com). The interim report for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be despatched 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, 30 November 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 three independent non-executive Directors, Dr. Lui Ming Wah, SBS, JP, Mr. Charles Edward Chapman and Mr. Lai Yat Hung Edmund.*