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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 2021

Statement of Profit or Loss Highlights

	Six months ended 30 September	
	2021 <i>HK\$'million</i>	2020 <i>HK\$'million</i>
Revenue		
– Semiconductor distribution	442.1	518.8
– Consumer product and product sourcing business	15.9	23.0
– Others	0.4	1.7
	<u>458.4</u>	<u>543.5</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(17.2)	(21.6)
– Venture capital	(2.5)	1.6
– Semiconductor distribution	156.9	127.7
– Consumer product and product sourcing business	(2.9)	(3.4)
– Others	(4.4)	(3.3)
	<u>129.9</u>	<u>101.0</u>
Depreciation and amortisation	<u>(1.7)</u>	<u>(2.0)</u>
Profit for the period attributable to:		
Owners of the Company	126.6	100.8
Non-controlling interests	–	(0.7)
	<u>126.6</u>	<u>100.1</u>

Statement of Financial Position Highlights

	30 September 2021 <i>HK\$'million</i>	31 March 2021 <i>HK\$'million</i>
Total assets	1,671.2	1,586.6
Total assets less current liabilities	1,537.8	1,440.2
Total equity	1,522.6	1,425.0
Lease liabilities	1.7	1.6
Cash and cash equivalents	120.8	124.3
Financial assets at fair value through profit or loss (included in current assets)	18.6	48.2
	139.4	172.5
Total debt to total equity	0.1%	0.1%
Current assets to current liabilities	184.3%	175.6%
Cash and cash equivalents and financial assets at fair value through profit or loss (included in current assets) per share (<i>HK\$</i>)	0.15	0.19
Total equity per share (<i>HK\$</i>)	1.68	1.57

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 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

		Six months ended	
		30 September 2021	30 September 2020
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Revenue	4	458,366	543,539
Cost of sales		<u>(438,206)</u>	<u>(518,808)</u>
Gross profit		20,160	24,731
Other income and gains	4	4,150	8,165
Selling and distribution expenses		(4,064)	(5,381)
Administrative expenses		(35,160)	(43,225)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(1,370)	1,395
Other income/(expenses), net		1,071	(825)
Finance costs	5	(38)	(875)
Share of profits and losses of:			
Joint ventures		145,262	116,259
Associates		<u>(1,160)</u>	<u>(21)</u>
Profit before tax	6	128,851	100,223
Income tax	7	<u>(2,228)</u>	<u>(128)</u>
Profit for the period		<u>126,623</u>	<u>100,095</u>
Attributable to:			
Owners of the Company		126,623	100,812
Non-controlling interests		<u>–</u>	<u>(717)</u>
		<u>126,623</u>	<u>100,095</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		<u>HK13.94 cent</u>	<u>HK11.09 cent</u>
Diluted		<u>HK13.94 cent</u>	<u>HK11.09 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended	
	30 September	30 September
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	126,623	100,095
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(1,737)</u>	<u>3,212</u>
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	<u>(1,737)</u>	<u>3,212</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	124,886	103,307
Attributable to:		
Owners of the Company	124,886	104,080
Non-controlling interests	<u>–</u>	<u>(773)</u>
	124,886	103,307

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 30 SEPTEMBER 2021*

		30 September 2021	31 March 2021
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets		31,156	32,371
Investment properties		127,927	128,085
Other intangible assets		3,827	3,832
Investments in joint ventures		1,207,610	1,108,848
Investments in associates		6,572	7,732
Financial assets at fair value through profit or loss	<i>10</i>	24,701	24,701
Prepayments and deposits		23,599	23,910
		<hr/>	<hr/>
Total non-current assets		1,425,392	1,329,479
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		58,972	33,736
Trade receivables	<i>11</i>	31,401	34,886
Due from associates		7,103	987
Prepayments, deposits and other receivables		8,936	15,045
Financial assets at fair value through profit or loss	<i>10</i>	18,609	48,184
Tax recoverable		2	–
Cash and cash equivalents		120,799	124,298
		<hr/>	<hr/>
Total current assets		245,822	257,136
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	<i>12</i>	42,915	28,615
Contract liabilities		10,327	36,410
Lease liabilities		851	870
Tax payable		5,658	6,924
Financial guarantee obligation		73,646	73,646
		<hr/>	<hr/>
Total current liabilities		133,397	146,465
		<hr/>	<hr/>
NET CURRENT ASSETS		112,425	110,671
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,537,817	1,440,150
		<hr/>	<hr/>

	30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES		
Lease liabilities	813	775
Deferred tax liabilities	14,369	14,366
	<hr/>	<hr/>
Total non-current liabilities	15,182	15,141
	<hr/>	<hr/>
Net assets	1,522,635	1,425,009
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Issued capital	90,866	90,866
Reserves	1,421,701	1,324,075
	<hr/>	<hr/>
Equity attributable to owners of the Company	1,512,567	1,414,941
Non-controlling interests	10,068	10,068
	<hr/>	<hr/>
Total equity	1,522,635	1,425,009
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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 product sourcing services, 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 2021 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA effective as of 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>

The adoption of the above amendments to 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 product sourcing business segment engages in the design, development and sale of consumer products 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.

3. OPERATING SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported below.

Six months ended 30 September 2021 (Unaudited)

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing 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	442,078	15,923	–	365	458,366
Other losses	–	–	(946)	–	(946)
Total	442,078	15,923	(946)	365	457,420
Reconciliation:					
Add: Other losses (<i>note</i>)					946
Revenue as presented in the condensed consolidated statement of profit or loss					<u>458,366</u>
Segment results	9,174	(1,704)	(3,144)	(4,436)	(110)
Reconciliation:					
Bank interest income					19
Rental income					2,094
Share of profits of joint ventures					145,262
Share of losses of associates					(1,160)
Unallocated expenses					(17,216)
Finance costs					(38)
Profit before tax					<u>128,851</u>

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 September 2020 (Unaudited)

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing 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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	518,814	23,057	3,002	1,668	546,541
Reconciliation:					
Less: Other revenue (<i>note</i>)					<hr/> (3,002)
Revenue as presented in the condensed consolidated statement of profit or loss					<hr/> <hr/> 543,539
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					<hr/> (875)
Profit before tax					<hr/> <hr/> 100,223

Note: Other revenue/(losses) in segment revenue were 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 product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period ended 30 September 2021 (unaudited)					
Segment assets	630,103	111,080	37,489	2,206	780,878
Reconciliation:					
Elimination of intersegment receivables					(503,520)
Investments in joint ventures					1,207,610
Investments in associates					6,572
Corporate and other unallocated assets					179,674
					<u>1,671,214</u>
Total assets					<u>1,671,214</u>
Segment liabilities	36,997	246,648	186,236	74,481	544,362
Reconciliation:					
Elimination of intersegment payables					(503,520)
Corporate and other unallocated liabilities					107,737
					<u>148,579</u>
Total liabilities					<u>148,579</u>
Year ended 31 March 2021 (audited)					
Segment assets	634,034	104,153	67,914	3,384	809,485
Reconciliation:					
Elimination of intersegment receivables					(516,044)
Investments in joint ventures					1,108,848
Investments in associates					7,732
Corporate and other unallocated assets					176,594
					<u>1,586,615</u>
Total assets					<u>1,586,615</u>
Segment liabilities	46,867	246,894	209,653	69,657	573,071
Reconciliation:					
Elimination of intersegment payables					(516,044)
Corporate and other unallocated liabilities					104,579
					<u>161,606</u>
Total liabilities					<u>161,606</u>

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue

	Six months ended	
	30 September 2021 <i>HK\$'000</i> (unaudited)	30 September 2020 <i>HK\$'000</i> (unaudited)
Revenue from contracts with customers		
Semiconductor distribution	442,078	518,814
Consumer product sales and product sourcing business	15,923	23,057
Others	365	1,668
	<u>458,366</u>	<u>543,539</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 September 2021 (Unaudited)

Segments	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenue from contracts with customers	<u>442,078</u>	<u>15,923</u>	<u>365</u>	<u>458,366</u>
Geographical markets				
Hong Kong	1,528	15,060	365	16,953
Singapore	440,550	546	–	441,096
Taiwan	–	317	–	317
Total revenue from contracts with customers	<u>442,078</u>	<u>15,923</u>	<u>365</u>	<u>458,366</u>
Timing of revenue recognition				
Transferred at a point in time	<u>442,078</u>	<u>15,923</u>	<u>365</u>	<u>458,366</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 2020 (Unaudited)

Segments	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing 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>
Geographical markets				
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>
Timing of revenue recognition				
Transferred at a point in time	<u>518,814</u>	<u>23,057</u>	<u>1,668</u>	<u>543,539</u>

Other income and gains

	Six months ended	
	30 September 2021 <i>HK\$'000</i> (unaudited)	30 September 2020 <i>HK\$'000</i> (unaudited)
Bank interest income	19	27
Interest income on listed bond investments	341	1,524
Dividend income from listed equity investments	11	11
Rental income	2,094	1,957
Government grants	611	3,127
Foreign exchange differences, net	606	669
Others	468	850
	<u>4,150</u>	<u>8,165</u>

5. FINANCE COSTS

	Six months ended	
	30 September 2021 <i>HK\$'000</i> (unaudited)	30 September 2020 <i>HK\$'000</i> (unaudited)
Interest on bank borrowings	6	766
Interest on lease liabilities	32	109
	<u>38</u>	<u>875</u>

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September 2021 <i>HK\$'000</i> (unaudited)	30 September 2020 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	735	692
Depreciation of right-of-use assets	975	1,271
Amortisation of other intangible assets	5	9
Foreign exchange differences, net	(606)	(669)
	<u>735</u>	<u>692</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 2020: 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 2021 <i>HK\$'000</i> (unaudited)	30 September 2020 <i>HK\$'000</i> (unaudited)
Current – Elsewhere		
Charge for the period	2,228	128
	<u>2,228</u>	<u>128</u>

8. DIVIDEND

The final dividend for the year ended 31 March 2021 was approved and paid during the period:

	Six months ended	
	30 September	30 September
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend declared and paid – HK\$0.030 (2020: HK\$0.025) per ordinary share	27,260	22,717

On 26 November 2021, the Board of Directors has resolved to declare an interim dividend of HK\$0.010 (for the six months ended 30 September 2020: HK\$0.010) per share for the six months ended 30 September 2021, amounting to a total of approximately HK\$9,087,000 (for the six months ended 30 September 2020: HK\$9,087,000), payable on or around 31 December 2021 to shareholders whose names appear on the register of members of the Company on 16 December 2021.

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 2020: 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:

	Six months ended	
	30 September	30 September
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	126,623	100,812
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	908,663,302	908,663,302

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
Listed equity investments	2,158	2,547
Listed bond investments	5,739	33,040
Equity investment traded over-the-counter	7,490	9,375
Unlisted equity investments	3,222	3,222
Key management insurance contracts	24,701	24,701
	<u>43,310</u>	<u>72,885</u>
Analysed for reporting purpose as:		
Current assets	18,609	48,184
Non-current assets	24,701	24,701
	<u>43,310</u>	<u>72,885</u>

11. TRADE RECEIVABLES

	30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	43,347	46,832
Impairment	(11,946)	(11,946)
	<u>31,401</u>	<u>34,886</u>

The Group's trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 to 45 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:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Within 1 month	2,508	11,079
1 to 2 months	3,453	3,573
2 to 3 months	3,344	376
Over 3 months	22,096	19,858
	<u>31,401</u>	<u>34,886</u>

12. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables	19,950	4,990
Deposits received	2,126	2,357
Accrued expenses	20,839	21,268
	<u>42,915</u>	<u>28,615</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:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables:		
Current	18,047	437
1 to 30 days	177	–
31 to 60 days	–	76
Over 60 days	1,726	4,477
	<u>19,950</u>	<u>4,990</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 2021, with the comparative figures for the corresponding six months period of 2020.

	Six months ended 30 September	
	2021	2020
	<i>HK\$'million</i>	<i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	442.1	518.8
Consumer product and product sourcing business	15.9	23.0
Venture capital	(1.0)	3.0
Others	0.4	1.7
	<u>457.4</u>	<u>546.5</u>
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	(17.2)	(21.6)
Venture capital	(2.5)	1.6
Semiconductor distribution	156.9	127.7
Consumer product and product sourcing business	(2.9)	(3.4)
Others	(4.4)	(3.3)
	<u>129.9</u>	<u>101.0</u>
<i>Depreciation and amortisation</i>		
Corporate	–	–
Venture capital	(0.6)	(0.7)
Semiconductor distribution	(1.1)	(1.1)
Consumer product and product sourcing business	–	(0.2)
Others	–	–
	<u>(1.7)</u>	<u>(2.0)</u>
Total depreciation and amortisation	(1.7)	(2.0)
Profit before interest and tax	128.8	101.1
Interest expenses	–	(0.9)
Bank interest income	–	–
	<u>128.8</u>	<u>100.2</u>
Profit before tax	128.8	100.2
Income tax	(2.2)	(0.1)
	<u>126.6</u>	<u>100.1</u>
Profit for the period	126.6	100.1
<i>Profit for the period attributable to:</i>		
Owners of the Company	126.6	100.8
Non-controlling interests	–	(0.7)
	<u>126.6</u>	<u>100.1</u>

BUSINESS REVIEW

With the broadening rollout of COVID-19 vaccines, continued fiscal and monetary policy support across economies, and starting from a low base in 2020, the global economy grew steadily in the first half of 2021, with gross domestic product (“GDP”) rebounding in many countries. According to the Organization for Economic Cooperation and Development, the Group of Twenty recorded 0.9% and 0.4% GDP growth in the first and second quarters of 2021, respectively. However, with temporal uncertainties brought by the rampant Delta Variant, together with geopolitical concerns and rising inflation, the global economy may still be pulled down with negative impacts felt across different sectors.

During the period under review, in light of continuous external challenges and a volatile global economic environment, the Group’s total revenue by segment was HK\$457.4 million (2020: HK\$546.5 million), decreasing by around 16.3%. Among this, the semiconductor distribution business recorded a revenue of HK\$442.1 million (2020: HK\$518.8 million); the consumer product and product sourcing business recorded a revenue of HK\$15.9 million (2020: HK\$23.0 million); the venture capital business recorded a loss of HK\$1.0 million (2020: profit of HK\$3.0 million); and the internet social media business recorded a revenue of HK\$0.4 million (2020: HK\$1.7 million).

Semiconductor Distribution Business

Despite the COVID-19 outbreak significantly impacting the global economy, the semiconductor market performed strongly in 2021. According to International Data Corp (“IDC”), the semiconductor market is expected to grow by 17.3% in 2021 versus 10.8% in 2020, driven by rising demand for products such as mobile phones, notebooks, servers, automotive, smart home, gaming, wearables, and Wi-Fi access points.

The semiconductor supply chain is affected by COVID-19 and other geopolitical factors. Global chipmakers and semiconductor players are working hard to rebuild flexible and agile supply chains to cope with these changes. IDC believes that integrated circuit shortages will continue to ease in the fourth quarter of 2021 as production capacity ramps up. By mid-2022, the industry’s chip shortage will normalize and return to balance, with the potential for overcapacity in 2023 as large-scale capacity expansions start coming online towards the end of 2022.

During the period under review, the semiconductor distribution business recorded a turnover of HK\$442.1 million (2020: HK\$518.8 million), mainly contributed by the subsidiary in Singapore that focuses on Southeast Asian countries such as India, Thailand, Malaysia and Philippines. The main products sold to the Singapore market are memory chips followed by thin-film transistor liquid crystal displays and panels which are widely used in LCD televisions.

During the period under review, the Groups' joint venture, AVP Electronics Limited and its subsidiaries ("AVPEL Group"), continued to record satisfactory results. Though not consolidated into the Group's condensed consolidated financial statements, its turnover recorded a 21.2% increase to HK\$13,582 million (2020: HK\$11,204 million). Profit sharing for the Group increased comparing to the previous period due to the better performance of the AVPEL Group during the period under review. AVPEL Group's main customers are China's major mobile phone manufacturers and component suppliers. AVPEL Group mainly engages in the distribution of Samsung Electronics including (i) CMOS image sensors (ii) multi-layer packaged chips, and (iii) ARM processors.

According to IDC, consumption remains healthy despite another wave of COVID-19 caused by the Delta variant. Semiconductor foundries are on track to reach almost full capacity utilization for the rest of 2021. Moreover, 5G semiconductor revenues will surge by 128%, with total mobile phone semiconductors expected to grow by 28.5%.

Consumer Product and Product Sourcing Business

During the period under review, the consumer product and product sourcing businesses recorded a turnover of HK\$15.9 million (2020: HK\$23.0 million). We distribute wide range of international electronic products, from small home appliances to the latest trendy technology gadgets, targeting markets including Hong Kong, Macau, Singapore and Indonesia.

Retail demand in Hong Kong continues to improve, with the total value of retail sales increasing for eight consecutive months as of November 2021, according to the Census and Statistics Department. However, demand for tourism is expected to stay weak as various global travel and quarantine restrictions remain in place, and there is still no specific timeline for traveler clearance between Hong Kong and the Mainland. In terms of e-commerce, more brick-and-mortar retailers in Hong Kong are establishing online sales channels and investing more to keep pace with current trends and remain resilient amid the ongoing turmoil.

On the other hand, the internet economy in Southeast Asia ("SEA") is developing rapidly. According to a research report jointly published by Google, Temasek Holdings and Bain & Company, SEA's gross merchandise value is expected to grow from US\$174 billion in 2021 to US\$363 billion in 2025, with e-commerce continuing to be a key growth driver. While the COVID-19 pandemic persists in SEA, more retailers have expressed a desire to embrace e-commerce. The industry is steadily moving towards end-to-end digitization, with both front-end digital tools that attract customers, and back-end digital solutions that strengthen operations growing rapidly. These positive factors may contribute to the future growth of our consumer product and product sourcing business.

Internet Social Media Business

During the period under review, 830 Media Limited ("830 Media") recorded a revenue of HK\$0.4 million (2020: HK\$1.7 million) from its subsidiaries 830 Lab Limited ("830 Lab") and Whizoo Media Limited ("Whizoo Media").

830 Lab is dedicated to help clients building an online presence for their businesses. Services provided by 830 Lab include website design & development, and online content creation in terms of both photography and videography. Also, 830 Media has been developing its “He She Kids” Facebook page for parents. Sharing various kinds of parenting information and videos, it is widely welcomed by parents with increasing popularity.

Whizoo Media is an internet social media company specializing in video production for popular topics and publishes original creative videos on major social media platforms including Facebook, YouTube and Instagram.

During the period under review, the business environment in Hong Kong remained difficult. With corporate brands continuously shifting business priorities, realigning business needs and reduced advertising expenditures, Whizoo Media was also affected to a certain extent.

The Group will continue to review and leverage its existing resources to manage its internet social media business, pay close attention to new developments in the industry and formulate timely development strategies, and creatively deploy through various channels as it prepared for market recovery.

Venture Capital Business

During the period under review, the turnover for our venture capital business recorded a loss of HK\$1.0 million (2020: profit of HK\$3.0 million), mainly due to 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 during the current period. As of 30 September 2021, listed and unlisted equity investments, listed bond investments, equity investment traded over-the-counter and key management insurance contracts were held at a fair value of HK\$43.3 million (31 March 2021: HK\$72.9 million) by the Group. During the period under review, the Group’s venture capital business recorded a net fair value losses on financial assets at fair value through profit or loss of HK\$1.4 million (2020: net fair value gains of HK\$1.4 million).

The venture capital business has always generated considerable income for the Group. The ultimate objective for venture capital business investments is to obtain capital gains on investee’s equity listing or, in some circumstances, prior to listing.

As of 30 September 2021, the Group’s major strategic investments are Mad Runway Holdings Limited, Luxury Choice Investments Limited, Urban City Joint Stock Company, and Connectivity Ventures Fund, LP. Mad Runway Holdings Limited, a member of the ELLE family, is dedicated to creating the most authoritative one-stop fashion shopping platform; Luxury Choice Investments Limited is one of the world’s fastest-growing custom watch brands; Urban City Joint Stock Company is an e-commerce company based in Vietnam; and, Connectivity Ventures Fund, LP is a fund that principally invests in developing microchip businesses.

PROSPECT

Although the global economy rebounded this year from its 2020 trough, global economic activity and growth will begin slowing down in the second half of 2021 amid uncertainties such as the COVID-19 pandemic, geopolitics and supply chain disruptions. The U.S. and China have announced lower-than-expected GDP growth of 2% and 4.9% in the third quarter of this year, respectively.

The International Monetary Fund has slightly lowered its 2021 global GDP forecast by 0.1 percentage point to 5.9%, with supply disruptions being one of the reasons for this downward revision. COVID-19 outbreaks, and the effects of climate-change in some countries, have led to shortages of key production inputs, resulting in weak manufacturing activity. On the other hand, supply shortages and growing demand for commodities, which has caused prices to rebound, have led to rising inflation risks. Many countries have hinted at increased economic downside pressure and are working to address the risks.

In terms of chips, shortages and supply chain issues have persisted since the beginning of the COVID-19 pandemic, but the supplies should eventually return to normal as multiple parties re-examine and adjust their supply chains. Chipmakers and suppliers still face challenges regarding production capacity, semiconductor usage and geopolitical factors. Industry players must therefore be able to identify potential threats or risks, and develop flexible plans to coordinate inventory and tailor logistics to meet different conditions.

The COVID-19 pandemic continues to accelerate technological development, with increasing focus and investment in 5G. According to Deloitte, global enterprises are focusing on deploying 5G and other next-generation wireless technologies to effectively cope with the pandemic's current and future impact, and are increasingly developing new solutions, products and services. Ericsson also released a report estimating that there will be 580 million 5G users worldwide by the end of 2021, with this number increasing to 3.5 billion by the end of 2026. The rapid development of 5G should create major opportunities for the industry.

Riding on its established reputation and substantial inputs, the Group can cope with the new normal, created by the pandemic, of complexity, volatility and uncertainty. The Group will maintain a prudent development approach, steadily growing its market in the Asia-Pacific region and consolidating its existing competitive advantages, trying to achieve stable growth for the Group and provide reasonable returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position and the gearing ratio as at 30 September 2021 and 31 March 2021 are shown as follows:

	30 September 2021 <i>HK\$'million</i>	31 March 2021 <i>HK\$'million</i>
Cash and cash equivalents	120.8	124.3
Financial assets at fair value through profit or loss (included in current assets)	18.6	48.2
	<u>139.4</u>	<u>172.5</u>
Lease liabilities	1.7	1.6
Total equity	<u>1,522.6</u>	<u>1,425.0</u>
Total debt to total equity	<u>0.1%</u>	<u>0.1%</u>

As at 30 September 2021, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institutions) of HK\$120.8 million (31 March 2021: HK\$124.3 million), while the Group's financial assets at fair value through profit or loss (included in current assets) amounted to HK\$18.6 million (31 March 2021: HK\$48.2 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 2021 was 0.1% (31 March 2021: 0.1%), while the Group's total equity as at 30 September 2021 was HK\$1,522.6 million (31 March 2021: HK\$1,425.0 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 2021 of HK\$139.4 million (31 March 2021: HK\$172.5 million).

The working capital position of the Group remains healthy. As at 30 September 2021, the liquidity ratio was 184% (31 March 2021: 175%).

	30 September 2021	31 March 2021
	<i>HK\$'million</i>	<i>HK\$'million</i>
Current assets	245.8	257.1
Current liabilities	(133.4)	(146.5)
Net current assets	112.4	110.6
Current assets to current liabilities	184%	175%

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 2021, the Group recorded financial assets at fair value through profit or loss of approximately HK\$43.3 million (31 March 2021: HK\$72.9 million). For a detailed breakdown of financial assets at fair value through profit or loss, please refer to note 10 in the 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 20 of this announcement.

PLEDGE OF ASSETS

Certain of the Group’s property, plant and equipment and right-of-use assets with a carrying amount of HK\$23,320,000 (31 March 2021: HK\$23,762,000) and certain key management insurance contracts of HK\$7,990,000 (31 March 2021: HK\$7,990,000) included in financial assets at fair value through profit or loss have been pledged to secure the bank facilities of the Group.

EMPLOYEES

As at 30 September 2021, the Group employed a total of approximately 136 (31 March 2021: approximately 164) 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 2021, 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 2021.

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 Mr. Lai Yat Hung Edmund (Chairman of Audit Committee), Dr. Lui Ming Wah, SBS, JP and Mr. Charles Edward Chapman, 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 2021.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$0.010 (2020: HK\$0.010) per share for the six months ended 30 September 2021. The interim dividend will be payable on or around 31 December 2021 to shareholder whose names appear on the register of members of the Company on 16 December 2021.

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 2021, the Company's register of members will be closed from Wednesday, 15 December 2021 to Thursday, 16 December 2021, 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 Tuesday, 14 December 2021.

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 and on the website of the Company at www.avconcept.com. The interim report for the six months ended 30 September 2021 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, 26 November 2021

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.