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## AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

### YEAR ENDED 31 MARCH 2021 ANNUAL RESULTS ANNOUNCEMENT

#### Statement of Profit or Loss Highlights

	2021 <i>HK\$'million</i>	2020 <i>HK\$'million</i>
Revenue		
– Semiconductor distribution	1,190.4	1,259.2
– Consumer product and product sourcing business	47.1	74.9
– Venture capital	–	–
– Others	3.7	3.2
	<u>1,241.2</u>	<u>1,337.3</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(33.9)	(33.8)
– Venture capital	(19.4)	(16.0)
– Semiconductor distribution	354.7	192.1
– Consumer product and product sourcing business	(16.5)	(25.0)
– Others	(13.5)	(7.4)
	<u>271.4</u>	<u>109.9</u>
Depreciation and amortisation	<u>(3.6)</u>	<u>(4.8)</u>
Profit for the year attributable to:		
Owners of the Company	269.8	93.5
Non-controlling interests	<u>(0.3)</u>	<u>(2.7)</u>
	<u>269.5</u>	<u>90.8</u>

	<b>2021</b> <i>HK\$'million</i>	2020 <i>HK\$'million</i>
<b>Statement of Financial Position Highlights</b>		
Total assets	<b>1,586.6</b>	1,393.8
Total assets less current liabilities	<b>1,440.2</b>	1,198.4
Total equity	<b>1,425.0</b>	1,181.0
Borrowings and lease liabilities	<b>1.6</b>	104.5
Cash and cash equivalents	<b>124.3</b>	87.7
Financial assets at fair value through profit or loss (included in current assets)	<b>48.2</b>	79.8
	<b>172.5</b>	167.5
Total debt to total equity	<b>0.1%</b>	8.9%
Current assets to current liabilities	<b>175.6%</b>	175.5%
Cash and cash equivalents and financial assets at fair value through profit or loss (included in current assets) per share (HK\$)	<b>0.19</b>	0.18
Total equity per share (HK\$)	<b>1.57</b>	1.30

## RESULTS

The Board of Directors (the “Board” or “Directors”) of AV Concept Holdings Limited (the “Company” or “AV Concept”) hereby announces the consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 March 2021, together with the comparative figures for the previous year, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>REVENUE</b>	3	<b>1,241,160</b>	1,337,326
Cost of sales		<u>(1,186,183)</u>	<u>(1,307,032)</u>
Gross profit		<b>54,977</b>	30,294
Other income and gains	3	<b>16,615</b>	13,877
Changes in fair value of investment properties		<b>4,305</b>	(2,268)
Selling and distribution expenses		<b>(11,028)</b>	(13,123)
Administrative expenses		<b>(88,973)</b>	(84,622)
Fair value losses on financial assets at fair value through profit or loss, net		<b>(17,983)</b>	(18,750)
Other income/(expenses), net		<b>2,778</b>	(10,087)
Finance costs	5	<b>(971)</b>	(3,763)
Share of profits and losses of:			
Joint ventures		<b>316,859</b>	181,344
Associates		<b>139</b>	(440)
<b>PROFIT BEFORE TAX</b>	4	<b>276,718</b>	92,462
Income tax	6	<b>(7,192)</b>	(1,711)
<b>PROFIT FOR THE YEAR</b>		<b><u>269,526</u></b>	<b><u>90,751</u></b>
Attributable to:			
Owners of the Company		<b>269,788</b>	93,443
Non-controlling interests		<b>(262)</b>	(2,692)
		<b><u>269,526</u></b>	<b><u>90,751</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8		
Basic		<b><u>HK29.69 cent</u></b>	<b><u>HK10.28 cent</u></b>
Diluted		<b><u>HK29.69 cent</u></b>	<b><u>HK10.28 cent</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 March 2021*

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>269,526</b>	90,751
<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	<b>7,258</b>	(7,174)
Reclassification adjustments for a foreign operation disposed of during the year	<b>108</b>	–
<b>OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b>7,366</b>	(7,174)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>276,892</b>	83,577
Attributable to:		
Owners of the Company	<b>277,256</b>	86,180
Non-controlling interests	<b>(364)</b>	(2,603)
	<b>276,892</b>	83,577

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and right-of-use assets		<b>32,371</b>	35,423
Investment properties		<b>128,085</b>	120,437
Goodwill		–	–
Other intangible assets		<b>3,832</b>	3,850
Investments in joint ventures		<b>1,108,848</b>	843,019
Investments in associates		<b>7,732</b>	248
Financial assets at fair value through profit or loss	9	<b>24,701</b>	23,891
Prepayments and deposits		<b>23,910</b>	23,968
		<hr/>	<hr/>
Total non-current assets		<b>1,329,479</b>	1,050,836
<b>CURRENT ASSETS</b>			
Inventories		<b>33,736</b>	82,678
Trade receivables	10	<b>34,886</b>	78,935
Due from associates		<b>987</b>	115
Prepayments, deposits and other receivables		<b>15,045</b>	13,669
Financial assets at fair value through profit or loss	9	<b>48,184</b>	79,839
Tax recoverable		–	1
Cash and cash equivalents		<b>124,298</b>	87,747
		<hr/>	<hr/>
Total current assets		<b>257,136</b>	342,984
<b>CURRENT LIABILITIES</b>			
Trade payables, deposits received and accrued expenses	11	<b>28,615</b>	43,480
Contract liabilities		<b>36,410</b>	5,785
Lease liabilities		<b>870</b>	3,624
Interest-bearing bank borrowings		–	97,811
Tax payable		<b>6,924</b>	1,436
Financial guarantee obligation		<b>73,646</b>	43,301
		<hr/>	<hr/>
Total current liabilities		<b>146,465</b>	195,437

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

31 March 2021

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>	<u><b>110,671</b></u>	<u>147,547</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>1,440,150</b></u>	<u>1,198,383</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>775</b>	3,088
Deferred tax liabilities	<u><b>14,366</b></u>	<u>14,298</u>
Total non-current liabilities	<u><b>15,141</b></u>	<u>17,386</u>
Net assets	<u><u><b>1,425,009</b></u></u>	<u><u>1,180,997</u></u>
<b>EQUITY</b>		
Issued capital	<b>90,866</b>	90,866
Reserves	<u><b>1,324,075</b></u>	<u>1,078,622</u>
Equity attributable to owners of the Company	<b>1,414,941</b>	1,169,488
Non-controlling interests	<u><b>10,068</b></u>	<u>11,509</u>
Total equity	<u><u><b>1,425,009</b></u></u>	<u><u>1,180,997</u></u>

# NOTES

## 1.1 BASIS OF PREPARATION

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's consolidated financial statements.

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>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

- (d) 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.
- (e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 2. OPERATING SEGMENT INFORMATION

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

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer product and 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, rental income, share of profits and losses of joint ventures and associates, impairment of investments in associates, gain on disposal of items of property, plant and equipment, impairment/reversal of impairment of property, plant and equipment and right-of-use assets, reversal of impairment of other receivables, changes in fair value of investment properties, finance costs and unallocated expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures and associates, tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

## 2. OPERATING SEGMENT INFORMATION (Continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2021</b>					
<b>Segment revenue</b>					
Sales to external customers	1,190,417	47,082	-	3,661	1,241,160
Other losses	-	-	(15,240)	-	(15,240)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,190,417	47,082	(15,240)	3,661	1,225,920
Reconciliation:					
Add: Other losses ( <i>note</i> )					<hr/> 15,240
Revenue as presented in the consolidated statement of profit or loss					<hr/> <hr/> 1,241,160
<b>Segment results</b>	<b>34,645</b>	<b>(16,844)</b>	<b>(19,511)</b>	<b>(12,685)</b>	<b>(14,395)</b>
Reconciliation:					
Bank interest income					33
Rental income					4,151
Share of profits of joint ventures					316,859
Share of profits of associates					139
Impairment of investments in associates					(588)
Reversal of impairment of property, plant and equipment					933
Reversal of impairment of right-of-use assets					194
Changes in fair value of investment properties					4,305
Unallocated expenses					(33,942)
Finance costs					<hr/> (971)
Profit before tax					<hr/> <hr/> 276,718

## 2. OPERATING SEGMENT INFORMATION (Continued)

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

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

2. OPERATING SEGMENT INFORMATION (Continued)

	Semiconductor distribution <i>HK\$'000</i>	Consumer product and product sourcing business <i>HK\$'000</i>	Venture capital <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 March 2021</b>					
<b>Segment assets</b>	<b>634,034</b>	<b>104,153</b>	<b>67,914</b>	<b>3,384</b>	<b>809,485</b>
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
Total assets					<u><u>1,586,615</u></u>
<b>Segment liabilities</b>	<b>46,867</b>	<b>246,894</b>	<b>209,653</b>	<b>69,657</b>	<b>573,071</b>
Reconciliation:					
Elimination of intersegment payables					(516,044)
Corporate and other unallocated liabilities					104,579
Total liabilities					<u><u>161,606</u></u>
<b>31 March 2020</b>					
<b>Segment assets</b>	<b>673,365</b>	<b>113,590</b>	<b>100,094</b>	<b>4,050</b>	<b>891,099</b>
Reconciliation:					
Elimination of intersegment receivables					(479,199)
Investments in joint ventures					843,019
Investments in associates					248
Corporate and other unallocated assets					138,653
Total assets					<u><u>1,393,820</u></u>
<b>Segment liabilities</b>	<b>32,873</b>	<b>229,927</b>	<b>211,098</b>	<b>54,641</b>	<b>528,539</b>
Reconciliation:					
Elimination of intersegment payables					(479,199)
Corporate and other unallocated liabilities					163,483
Total liabilities					<u><u>212,823</u></u>

## 2. OPERATING SEGMENT INFORMATION (Continued)

### Other segment information:

	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>
<b>Year ended 31 March 2021</b>					
Depreciation of property, plant and equipment	1,007	7	347	106	1,467
Depreciation of right-of-use assets	1,047	124	1,000	–	2,171
Amortisation of other intangible assets	19	–	–	–	19
Reversal of impairment of inventories	(475)	(251)	–	–	(726)
Impairment/(reversal of impairment) of trade receivables, net	–	1,144	–	(6)	1,138
Reversal of impairment of property, plant and equipment	–	(933)	–	–	(933)
Impairment/(reversal of impairment) of right-of-use assets	171	(365)	–	–	(194)
Impairment of investments in joint ventures					82,197
Impairment of investments in associates					588
Capital expenditure*	<u>47</u>	<u>39</u>	<u>–</u>	<u>99</u>	<u>185</u>
<b>Year ended 31 March 2020</b>					
Depreciation of property, plant and equipment	1,304	466	316	282	2,368
Depreciation of right-of-use assets	1,021	320	1,046	–	2,387
Amortisation of other intangible assets	19	–	–	–	19
(Reversal of)/provision for impairment of inventories	(3,225)	3,575	–	–	350
(Reversal of impairment)/impairment of trade receivables, net	–	(601)	–	21	(580)
Impairment of property, plant and equipment	1,538	1,494	–	547	3,579
Impairment of right-of-use assets	513	5,016	–	–	5,529
Impairment of other intangible assets	200	–	–	–	200
Reversal of impairment of other receivables					(3,901)
Impairment of investments in joint ventures					105,353
Impairment of investments in associates					1,510
Capital expenditure*	<u>2,006</u>	<u>684</u>	<u>669</u>	<u>45</u>	<u>3,404</u>

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

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

### Geographical information

#### *(a) Revenue from external customers*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	41,546	72,949
Singapore	1,196,033	1,259,440
Taiwan	816	3,469
Indonesia	2,765	1,468
	<u>1,241,160</u>	<u>1,337,326</u>

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

#### *(b) Non-current assets*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,148,556	885,030
Mainland China	121,344	115,790
Singapore	32,822	23,895
Korea	124	238
	<u>1,302,846</u>	<u>1,024,953</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

### Information about major customers

For the year ended 31 March 2021, no revenue from the Group's sales to a single customer amounted to 10% or above of the Group's total revenue (2020: Nil).

### 3. REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Semiconductor distribution	1,190,417	1,259,208
Consumer product sales and product sourcing business	47,082	74,902
Others	3,661	3,216
	<u>1,241,160</u>	<u>1,337,326</u>

#### Other income and gains

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	33	354
Interest income on listed bond investments	2,589	2,506
Interest income on a loan receivable	–	616
Dividend income from listed equity investments	11	187
Gain on disposal of items of property, plant and equipment	–	24
Rental income	4,151	4,920
Government grants	3,823	–
Foreign exchange differences, net	853	963
Revision of a lease term arising from a change in the non-cancellable period of a lease	2,526	–
Others	2,629	4,307
	<u>16,615</u>	<u>13,877</u>

#### 4. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Cost of inventories sold**		<b>1,184,974</b>	1,303,012
(Reversal of)/provision for impairment of inventories**		<b>(726)</b>	350
Depreciation of property, plant and equipment		<b>1,467</b>	2,368
Depreciation of right-of-use assets		<b>2,171</b>	2,387
Amortisation of other intangible assets*		<b>19</b>	19
Other (income)/expenses, net:			
Impairment of other intangible assets		–	200
Impairment of financial assets, net:			
Impairment of/(reversal of impairment of) trade receivables, net	<i>10</i>	<b>1,138</b>	(580)
Reversal of impairment of other receivables		–	(3,901)
Impairment of investments in associates		<b>588</b>	1,510
Impairment of investments in joint ventures		<b>82,197</b>	105,353
Gain on derecognition of financial guarantee obligation		<b>(82,197)</b>	(105,353)
(Reversal of impairment)/impairment of property, plant and equipment, net		<b>(933)</b>	3,579
(Reversal of impairment)/impairment of right-of-use assets, net		<b>(194)</b>	5,529
Gain on deemed disposal of subsidiaries	<i>12</i>	<b>(4,924)</b>	–
Others		<b>1,547</b>	3,750
		<u><b>(2,778)</b></u>	<u>10,087</u>
Fair value losses on financial assets at fair value through profit or loss, net		<b>17,983</b>	18,750
Gain on disposal of items of property, plant and equipment		<u><b>–</b></u>	<u>(24)</u>

\* This balance is included in “Administrative expenses” on the face of the consolidated statement of profit or loss.

\*\* These balances are included in “Cost of sales” on the face of the consolidated statement of profit or loss.

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Interest on bank borrowings	<b>794</b>	3,492
Interest on lease liabilities	<b>177</b>	271
	<u><b>971</b></u>	<u>3,763</u>

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Elsewhere		
Charge for the year	7,098	1,598
Deferred	94	113
	<u>7,192</u>	<u>1,711</u>
Total tax charge for the year	<u>7,192</u>	<u>1,711</u>

## 7. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed final dividend – HK\$0.030 (2020: HK\$0.025) per ordinary share	<u>27,260</u>	<u>22,717</u>

At the Board meeting held on 25 June 2021, the Board resolved to recommend the payment of a final dividend of HK\$0.030 (2020: HK\$0.025) per share for the year ended 31 March 2021. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it is approved by the shareholders at the forthcoming annual general meeting of the Company.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 908,663,302 (2020: 908,663,302) in issue during the year.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>269,788</u>	<u>93,443</u>
	<b>Number of shares</b>	
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>908,663,302</u>	<u>908,663,302</u>

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

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investment in convertible bonds	<i>(a)</i>	–	4,405
Listed equity investments		<b>2,547</b>	12,919
Listed bond investments	<i>(b)</i>	<b>33,040</b>	42,206
Equity investment traded over-the-counter	<i>(c)</i>	<b>9,375</b>	–
Unlisted equity investments	<i>(d)</i>	<b>3,222</b>	20,309
Key management insurance contracts	<i>(e)</i>	<b>24,701</b>	23,891
		<b><u>72,885</u></b>	<b><u>103,730</u></b>
Analysed for reporting purpose as:			
Current assets		<b>48,184</b>	79,839
Non-current assets		<b>24,701</b>	23,891
		<b><u>72,885</u></b>	<b><u>103,730</u></b>

The above listed equity investments and listed bond investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The investment in convertible bonds and key management insurance contracts were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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

### *Notes:*

- (a) During the year ended 31 March 2017, the Group subscribed the convertible bonds issued by IE Limited (“IEL”) with aggregate principals of approximately HK\$19,425,000 on 8 June 2016 and HK\$38,850,000 on 3 November 2016, respectively. The bonds were interest-bearing at a fixed rate of 4% per annum and repayable within two years since their respective issuance dates, which can be converted into common shares of IEL, at exercise prices of KRW500 and KRW819 per share, respectively, at any time after one year from their respective issuance dates. The convertible bonds issued by IEL were in default upon their respective maturity dates. During the year, management has assessed the fair values of the convertible bonds issued by IEL based on the valuation report performed by an independent valuer with reference to the available financial information of IEL and final price value from Credit Event Auction by Creditex. In the opinion of management, the fair value of the convertible bonds was minimal.
- (b) The listed bond investments have coupon rates ranging from 4.70% to 8.75 % (2020: 4.70% to 7.25%) per annum and maturity dates from 19 April 2021 to 28 September 2022 (2020: 4 April 2021 to 15 December 2022).

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

- (c) During the year, the Group further subscribed ordinary shares of Tooniplay Co., Ltd. (“Tooniplay”), which principally engaged in mobile game development business, at a consideration of US\$500,000 (equivalent to HK\$3,885,000). On 5 November 2020, Tooniplay was registered on the K-OTC market in South Korea, a platform for transaction of unlisted shares, and its shares commenced trading. Accordingly, the investment was classified as an equity investment traded over-the-counter in current year and was classified as an unlisted equity investments in the prior year. As at 31 March 2020 and 2021, the Group held more than 20% equity interests in Tooniplay, which is an associate of the Group.

As this associate was held as part of the venture capital organisation’s investment portfolio, it was carried in the consolidated statement of financial position at fair value. This treatment is permitted by HKAS 28 “*Investments in Associates and Joint Ventures*” which allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with HKFRS 9, with changes in fair value recognised in the consolidated statement of profit or loss in the period of change.

- (d) The Group has equity interests in Luxury Choice Investments Limited (which principally engaged in watch production and distribution business in Hong Kong), Global ESports Limited (which principally engaged in electronic sport team management and event management), Mad Runway Holdings Limited (which principally engaged in operation of an online fashion platform in Mainland China), Urban City Joint Stock Company (which principally engaged in e-commerce business in Vietnam) and Connectivity Ventures Fund, LP (which was an investment fund and principally invested in development of microchips business).
- (e) As at 31 March 2021, the key management insurance contracts represented life insurance plans with investment elements relating to two members of key management personnel of the Group and the joint venture. The total sum insured is US\$15,800,000 (approximately HK\$122,800,000) (2020: US\$15,800,000 (approximately HK\$122,800,000)) with an annual minimum guaranteed return of 2%. Certain key management insurance contract of HK\$7,990,000 (2020: HK\$7,736,000) was pledged to secure general banking facilities granted to the Group as at 31 March 2021.

As at 31 March 2021, if the Group withdrew from the insurance contracts, the accounts value, net of surrender charges of US\$340,000 (approximately HK\$2,642,000) (2020: US\$357,000 (approximately HK\$2,770,000)), would be refunded to the Group. The amount of the surrender charges decreased over time and was no longer required from the 19th year of contract conclusion onwards.

## 10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	46,832	89,743
Impairment	<u>(11,946)</u>	<u>(10,808)</u>
	<u><b>34,886</b></u>	<u><b>78,935</b></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.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	11,079	35,125
1 to 2 months	3,573	24,995
2 to 3 months	376	3,643
3 to 12 months	15,456	14,811
Over 12 months	<u>4,402</u>	<u>361</u>
	<u><b>34,886</b></u>	<u><b>78,935</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	10,808	11,490
Impairment/(reversal of impairment) losses, net ( <i>note 4</i> )	1,138	(580)
Amounts written off as uncollectible	–	(100)
Exchange realignment	<u>–</u>	<u>(2)</u>
At end of year	<u><b>11,946</b></u>	<u><b>10,808</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	4,990	21,626
Deposits received	2,357	1,534
Accrued expenses	21,268	20,320
	<u>28,615</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables:		
Current	437	17,225
1 to 30 days	–	697
31 to 60 days	76	15
Over 60 days	4,477	3,689
	<u>4,990</u>	<u>21,626</u>

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

## 12. DEEMED DISPOSAL OF SUBSIDIARIES

During the current year, E-gogo Holdings Limited, a non-wholly owned subsidiary of the Group before 2 November 2020, entered into subscription agreements with E-GoGo Limited and Signeo Design International Limited, which are wholly-owned subsidiaries of the Group, and three independent third parties, pursuant to which E-GoGo Limited and three independent third parties agreed to participate in capital injection in E-gogo Holdings Limited. Prior to the capital injection, the Group held 69% equity interest in E-gogo Holdings Limited, which has a wholly-owned subsidiary, namely PT Egogo Hub Indonesia. After the completion of the capital injection on 2 November 2020, the Group retained 49.375% equity interest in E-gogo Holdings Limited and has lost control over E-gogo Holdings Limited. The transaction was accounted for as a deemed disposal of subsidiaries and the 49.375% equity interest in E-gogo Holdings Limited was accounted for as investments in associates.

2021  
HK\$'000

Net assets disposed of:	
Property, plant and equipment and right-of-use assets	1,196
Cash and cash equivalents	1,561
Trade receivables	2,406
Prepayments, deposits and other receivables	1,840
Due from a fellow subsidiary	105
Other payables and accrued expenses	(1,799)
Due to a fellow subsidiary	(1,829)
Non-controlling interests	(1,079)
	<hr/>
	2,401
Exchange fluctuation reserve	108
Fair value of investments retained upon disposal	(7,433)
Gain on deemed disposal of subsidiaries ( <i>note 4</i> )	4,924
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An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows.

2021  
HK\$'000

Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,561)
	<hr/> <hr/>

## BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the year ended 31 March 2021, with the comparative figures for the corresponding financial year of 2020.

	2021 <i>HK\$'million</i>	2020 <i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	1,190.4	1,259.2
Consumer product and product sourcing business	47.1	74.9
Venture capital	(15.3)	(15.3)
Others	3.7	3.2
	<u>1,225.9</u>	<u>1,322.0</u>
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	(33.9)	(33.8)
Venture capital	(19.4)	(16.0)
Semiconductor distribution	354.7	192.1
Consumer product and product sourcing business	(16.5)	(25.0)
Others	(13.5)	(7.4)
	<u>271.4</u>	<u>109.9</u>
<i>Depreciation and amortisation</i>		
Corporate	–	–
Venture capital	(1.3)	(1.4)
Semiconductor distribution	(2.1)	(2.3)
Consumer product and product sourcing business	(0.1)	(0.8)
Others	(0.1)	(0.3)
	<u>(3.6)</u>	<u>(4.8)</u>
Total depreciation and amortisation	<u>(3.6)</u>	<u>(4.8)</u>
Profit before interest and tax	277.7	95.9
Interest expenses	(1.0)	(3.8)
Bank interest income	–	0.4
	<u>276.7</u>	<u>92.5</u>
Profit before tax	276.7	92.5
Income tax	(7.2)	(1.7)
	<u>269.5</u>	<u>90.8</u>
Profit for the year	<u>269.5</u>	<u>90.8</u>
Profit for the year attributable to:		
Owners of the Company	269.8	93.5
Non-controlling interests	(0.3)	(2.7)
	<u>269.5</u>	<u>90.8</u>

## **BUSINESS REVIEW**

Following the outsized contraction of economic activity in 2020, global output and demand is likely to rebound strongly in 2021 and onwards. The broadening rollout of vaccines and continued fiscal and global monetary policy support are further boosting the acceleration of economic growth from the second quarter of year 2021. Coming off a low base, world gross domestic product (“GDP”) growth in 2021 is expected to be the highest in more than a decade. Economic activity in the U.S. is likely to reach pre-recession levels during the second half of this year, whereas China may record GDP growth above 8% in 2021. Still, some of the pessimistic assessments of the pandemic’s effect on the economy has also surfaced, such as geopolitical concerns, inflation as well as COVID-19 variants which may bring negative impact on the industry outlook.

During the year under review, in light of the challenging external environment and the volatile global economic environment, the Group’s revenue by segment was HK\$1,225.9 million (2020: HK\$1,322.0 million) decreased by around 7%. Among which semiconductor distribution business recorded a revenue of HK\$1,190.4 million (2020: HK\$1,259.2 million), consumer product and product sourcing business recorded a revenue of HK\$47.1 million (2020: HK\$74.9 million), venture capital business recorded a loss of HK\$15.3 million (2020: HK\$15.3 million) and internet social media business recorded a revenue of HK\$3.7 million (2020: HK\$3.2 million).

### **Semiconductor Distribution Business**

Despite the impact of COVID-19 on the global economy, the semiconductor market recorded strong performance in 2020. While demand by industry was uneven throughout the year due to global lockdowns, remote work and education, as well as shifts in consumer buying behaviour, the global semiconductor revenue grew to US\$464 billion in 2020, an increase of 10.9% compared to 2019, according to International Data Corp (“IDC”).

The world is currently in the midst of global semiconductor shortage sparked by the major disruptions in supply chains caused by different factors such as the pandemic and geopolitics. While shortages initially occurred in automotive semiconductors, the impact is being felt across all boards including servers, electronics, personal computers, and smartphones to a great extent. In view of the unprecedented chip shortage, world chip manufacturers and semiconductor players are working on re-establishing flexible and agile supply chains to navigate the changes.

During the year under review, the semiconductor distribution business recorded a turnover of HK\$1,190.4 million (2020: HK\$1,259.2 million) which is mainly contributed by the subsidiary in Singapore that focuses business in 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 year under review, the joint venture of the Group, AVP Electronics Limited and its subsidiaries (“AVPEL Group”) continued to record satisfactory results. Its turnover, though not being consolidated into the Group’s consolidated financial statements, recorded 9.6% increase to HK\$28,612 million (2020: HK\$26,095 million). Profit sharing of AVPEL Group is increased when comparing to the previous period due to a better turnover and gross profit margin for AVPEL Group during the year 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.

The consumer semiconductor market segment rebounded in 2020 upon the easing of pandemic. According to IDC, robust sales of game consoles, tablets, wireless headphones and earbuds, smart watches, and Over-the-Top streaming media devices fuelled global segment growth by 7.7% year over year to US\$60 billion. Mobile phone semiconductor revenues will grow by 23.3% in 2021 to US\$147 billion. The geopolitical tensions between the US and China are forcing the latter to develop competencies in this segment. Over the last few years, China has greatly enhanced its capability in chip manufacturing and has announced the US\$1.4 trillion investment plan to develop the semiconductor industry till year 2025. China’s Dual Circulation initiative and strategy to make significant investments in this segment helped it reach key milestones.

### **Consumer Product and Product Sourcing Business**

This business segment is managed by one of the subsidiaries, E-GoGo Limited (“E-GoGo”). During the year under review, with the Group’s strategic development and planning, E-gogo Holdings Limited (“E-gogo Holdings”) which was direct controlled by E-GoGo before, has introduced a new investment partner in the third quarter during the year under review. As a result, E-gogo Holdings is now being one of the associate companies under the Group.

In terms of the consumer product business, we mainly carry on different kinds of electronic products following the latest technology gadgets which target the markets in Hong Kong, Macau, Singapore, Malaysia, Thailand and Indonesia. E-GoGo also actively develops online and offline product sourcing business. During the year under review, the business of consumer product and product sourcing recorded a turnover of HK\$47.1 million (2020: HK\$74.9 million). Hong Kong consumer retail demand is projected to stay weak in 2021 due to subdued local demands, and those riding on the tourism sectors are also expected to be sourer due to various global travel and quarantine restrictions. On the digital front, more physical retailers in Hong Kong have escalated efforts in setting up online sales channels to catch up the trend and stay resilient under the turmoil. On the other hand, Southeast Asia’s e-commerce is on the ascent. With no end in sight to this pandemic within Asia, more retailers are expected to shift online. Thus, pandemic has catalyzed the digital mass migration, pushed e-commerce to the forefront and catapulted the region into a digital-first world.

## **Internet Social Media Business**

During the year under review, revenue from 830 Media Limited (“830 Media”) was HK\$3.7 million (2020: HK\$3.2 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 include website design and development, online content creation in terms of 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 young audience to become loyal subscribers.

During the year under review, Whizoo Media received high recognition among commercial partners and has 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 brands and institutional clients through different levels of onestop creative content solutions and introductions of related products or services on the Facebook page and YouTube channel of Whizoo Media. Business environment remained difficult during the year under review. With corporate brands continuously shifting business priorities, realigning business needs and successively reduced advertising expenditures, Whizoo Media has been negatively affected and is ramping up efforts in preparation on the recovery.

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 shares various of parenting information and videos for parents.

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.

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 year under review, the turnover for venture capital business recorded a loss of HK\$15.3 million (2020: HK\$15.3 million), that is mainly for the fair value 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 31 March 2021, various funds, convertible bonds, listed and unlisted equity investments, listed bond investments, equity investment traded over-the-counter and key management insurance contracts were held at fair market value of HK\$72.9 million (31 March 2020: HK\$103.7 million) by the Group. During the year under review, the venture capital business of the Group recorded a fair value losses on financial assets at fair value through profit or loss, net of HK\$18.0 million (2020: HK\$18.8 million).

The venture capital business has always brought considerable income to the Group. The ultimate objective for investments in venture capital business is to obtain capital gains on investee's equity listing or, in some circumstances, prior to listing. It also includes investments in real estate, managed funds, convertible bonds and listed bonds.

At 31 March 2021, 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. During the year under review, the Group made the investment in Connectivity Ventures Fund, LP which was an investment fund principally invested in development of microchips business.

## **PROSPECT**

With the global economy finally picking up its pace in 2021 upon the large-scale vaccination rollout, World Bank expects the growth rate will reach 4%. Yet one of the biggest cautions to consider is whether supply chains will be able to keep up with growing demand. Indeed, concerns about disruptions to supply chains and shortages that have occurred during the pandemic, a major example was semiconductors. The chip shortages are expected to cause widespread shortages of everything, from electronics to medical devices to technology and networking equipment. Various markets are currently re-examining their supply chains and are considering the future of their domestic tech industry. Major global semiconductor players from China, Korea and Europe are pressing ahead with massive investment to be the first to take the future market. The entire semiconductor industry is facing a watershed moment.

COVID-19 is spurring great interest and uptake of advanced digital technologies by consumers and businesses. With more companies racing to embrace digital advancements, digital transformation encompasses coupling powerful new technologies such as Artificial Intelligence, blockchain, Internet of Things (“IoT”), automation and 5G to drive values and enable growth. According to the “Global semiconductor industry outlook 2021” report issued by KPMG, Wireless/5G, IoT and automotive are the most important applications driving semiconductor industry over the next year. The buildout of 5G networks and infrastructure further boosts IoT use cases and creates new demands for powerful hardware and software.

However, the demand squeeze in chip markets due to temporarily supply disruptions will eventually be normalised. Chip manufacturers and suppliers are now facing emerging challenges than ever before, juggling both ongoing and new problems in terms of production capacity, semiconductor usage and geopolitical factors. It is therefore important for industry players to be able to anticipate potential threats or risks as well as to formulate flexible plans in inventory coordination and logistics.

While many businesses are still adjusting to the new normal which is made of complexity, uncertainty and opportunities, the Group has devoted much efforts in addressing the deep changes needed in this new environment, from a people, operations, and technology perspective, at speed and at scale. Riding on its sound business results, prudent development strategies and industry leadership, the Group has full confidence in solidifying its foothold, maintaining its competitive advantages and staying under the unforeseeable challenges ahead to achieve stable growth and bring reasonable returns to shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

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

	<b>2021</b>	2020
	<b><i>HK\$'million</i></b>	<i>HK\$'million</i>
Cash and cash equivalents	<b>124.3</b>	87.7
Financial assets at fair value through profit or loss (included in current assets)	<b>48.2</b>	79.8
	<b><u>172.5</u></b>	<u>167.5</u>
Borrowings and lease liabilities	<b><u>1.6</u></b>	<u>104.5</u>
Total equity	<b><u>1,425.0</u></b>	<u>1,181.0</u>
Total debt to total equity	<b><u>0.1%</u></b>	<u>8.9%</u>

As at 31 March 2021, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institution) of HK\$124.3 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\$48.2 million (31 March 2020: HK\$79.8 million). The equity investments and financial assets at fair value through profit or loss included a balanced mix of fixed income, equity and alternative investments and such amount represented the cash reserves held for the Group's medium to long term business development and would form an integral part of the Group's treasury.

The total debt to total equity ratio as at 31 March 2021 was 0.1% (31 March 2020: 8.9%), while the Group's total equity as at 31 March 2021 was HK\$1,425.0 million (31 March 2020: HK\$1,181.0 million), with the total balances of cash and cash equivalents and equity investments and financial assets at fair value through profit or loss (included in current assets) as at 31 March 2021 of HK\$172.5 million (31 March 2020: HK\$167.5 million).

The working capital position of the Group remains healthy. As at 31 March 2021, the liquidity ratio was 175% (2020: 176%).

	<b>2021</b> <i>HK\$'million</i>	2020 <i>HK\$'million</i>
Current assets	<b>257.1</b>	343.0
Current liabilities	<b>(146.5)</b>	(195.4)
Net current assets	<b>110.6</b>	147.6
Current assets to current liabilities	<b>175%</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 31 March 2021, the Group recorded financial assets at fair value through profit or loss of approximately HK\$72.9 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 9 in consolidated statement of financial position. For the performance during the year and future prospects of financial assets at fair value through profit or loss, please refer to the section "Business Review and Prospects – Venture Capital Business" on page 27 of this annual results announcement.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive directors has entered into a service agreement with the Company for a term of one year, and each of the independent non-executive directors has entered into a letter of appointment with the Company for a term of one year.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **PLEDGE OF ASSETS**

Certain of the Group's property, plant and equipment and financial assets at fair value through profit or loss have been pledged to secure the bank facilities granted to the Group.

## **EMPLOYEES**

As at 31 March 2021, the Group employed a total of approximately 164 (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 had purchased, sold or redeemed any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in the Code on Corporate Governance and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2021, except for the deviation of code provision A.2.1 of the Corporate Governance Code as expressly below:

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

The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2021.

## **AUDIT COMMITTEE**

The Company has an Audit Committee, which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee, comprising 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 auditing, internal control and financial reporting matters including the consolidated financial statements for the year ended 31 March 2021.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **PROPOSED FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK\$0.030 (2020: HK\$0.025) per share for the year ended 31 March 2021 which is subjected to the shareholders' approval at the forthcoming annual general meeting of the Company.

The proposed final dividend, if approved at the forthcoming annual general meeting to be held on Friday, 27 August 2021, will be payable on Friday, 17 September 2021 to shareholders whose names appear on the registrar of members of the Company on Friday, 3 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Annual General Meeting of the Company is scheduled on Friday, 27 August 2021. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 23 August 2021.

In order to determine the list of shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2021, the Company's register of members will be closed from Thursday, 2 September 2021 to Friday, 3 September 2021, both days inclusive. Shareholders are reminded that in order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 September 2021.

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

This annual results announcement is available for viewing on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and at the website of the Company at [www.avconcept.com](http://www.avconcept.com). An annual report for the year ended 31 March 2021 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By order of the board of  
**AV CONCEPT HOLDINGS LIMITED**  
**So Yuk Kwan**  
*Chairman*

Hong Kong, 25 June 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.*