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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 2022

Statement of Profit or Loss Highlights

	Six months ended 30 September	
	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Revenue		
– Semiconductor distribution	378.9	442.1
– Consumer product and product sourcing business	7.1	15.9
– Others	0.2	0.4
	386.2	458.4
	386.2	458.4
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(16.6)	(17.2)
– Venture capital	(12.1)	(2.5)
– Semiconductor distribution	72.1	156.9
– Consumer product and product sourcing business	(4.3)	(2.9)
– Others	(1.2)	(4.4)
	37.9	129.9
	37.9	129.9
Depreciation and amortisation	(1.5)	(1.7)
	(1.5)	(1.7)
Profit for the period attributable to owners of the Company	38.6	126.6
	38.6	126.6

Statement of Financial Position Highlights

	30 September 2022 <i>HK\$'million</i>	31 March 2022 <i>HK\$'million</i>
Total assets	1,723.6	1,745.5
Total assets less current liabilities	1,632.8	1,637.1
Total equity	1,617.9	1,622.0
Borrowings and lease liabilities	5.7	7.6
Cash and cash equivalents	112.5	152.2
Financial assets at fair value through profit or loss (included in current assets)	15.0	28.4
	127.5	180.6
Total debt to total equity	0.4%	0.5%
Current assets to current liabilities	209.9%	238.7%
Cash and cash equivalents and financial assets at fair value through profit or loss (included in current assets) per share (<i>HK\$</i>)	0.14	0.20
Total equity per share (<i>HK\$</i>)	1.78	1.79

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 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended	
		30 September 2022	30 September 2021
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	386,222	458,366
Cost of sales		<u>(390,441)</u>	<u>(438,206)</u>
Gross (loss)/profit		(4,219)	20,160
Other income and gains	4	3,185	4,150
Selling and distribution expenses		(4,429)	(4,064)
Administrative expenses		(27,472)	(35,160)
Fair value losses on financial assets at fair value through profit or loss, net		(9,998)	(1,370)
Other (expenses)/income, net		(1,327)	1,071
Finance costs	5	(60)	(38)
Share of profits and losses of:			
Joint ventures		85,381	145,262
Associates		<u>(2,424)</u>	<u>(1,160)</u>
Profit before tax	6	38,637	128,851
Income tax	7	<u>(86)</u>	<u>(2,228)</u>
Profit for the period attributable to owners of the Company		<u>38,551</u>	<u>126,623</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		<u>HK4.24 cent</u>	<u>HK13.94 cent</u>
Diluted		<u>HK4.24 cent</u>	<u>HK13.94 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended	
	30 September	30 September
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>38,551</u>	<u>126,623</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(6,320)</u>	<u>(1,737)</u>
OTHER COMPREHENSIVE LOSS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(6,320)</u>	<u>(1,737)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>32,231</u>	<u>124,886</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2022

		30 September	31 March
		2022	2022
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets		36,318	29,743
Investment properties		128,239	136,665
Other intangible assets		3,485	3,485
Investments in joint ventures		1,316,869	1,266,363
Investments in associates		1,886	4,310
Financial assets at fair value through profit or loss	<i>10</i>	25,482	25,482
Prepayments and deposits		1,569	1,716
Loan to an associate		19,061	19,061
		<hr/>	<hr/>
Total non-current assets		1,532,909	1,486,825
CURRENT ASSETS			
Inventories		22,455	44,797
Trade receivables	<i>11</i>	2,104	8,599
Due from associates		8,394	2,763
Prepayments, deposits and other receivables		30,262	21,865
Financial assets at fair value through profit or loss	<i>10</i>	14,974	28,385
Tax recoverable		–	2
Cash and cash equivalents		112,506	152,228
		<hr/>	<hr/>
Total current assets		190,695	258,639
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	<i>12</i>	27,814	23,848
Contract liabilities		2,539	20,559
Lease liabilities		587	698
Interest-bearing bank borrowings		4,830	6,435
Tax payable		3,033	4,789
Financial guarantee obligation		52,032	52,032
		<hr/>	<hr/>
Total current liabilities		90,835	108,361
		<hr/>	<hr/>
NET CURRENT ASSETS		99,860	150,278
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,632,769	1,637,103
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AT 30 SEPTEMBER 2022

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
NON-CURRENT LIABILITIES		
Lease liabilities	247	490
Deferred tax liabilities	<u>14,600</u>	<u>14,575</u>
Total non-current liabilities	<u>14,847</u>	<u>15,065</u>
Net assets	<u><u>1,617,922</u></u>	<u><u>1,622,038</u></u>
EQUITY		
Issued capital	90,866	90,866
Reserves	<u>1,517,636</u>	<u>1,521,748</u>
Equity attributable to owners of the Company	<u>1,608,502</u>	<u>1,612,614</u>
Non-controlling interests	<u>9,420</u>	<u>9,424</u>
Total equity	<u><u>1,617,922</u></u>	<u><u>1,622,038</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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 2022 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA effective as of 1 April 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

3. OPERATING SEGMENT INFORMATION

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

- (a) the semiconductor distribution segment engages in the sale and distribution of electronic components;
- (b) the consumer product and 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 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, loss on disposal of items of property, plant and equipment, 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 2022 (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	378,896	7,126	–	200	386,222
Other losses	–	–	(9,873)	–	(9,873)
Total	378,896	7,126	(9,873)	200	376,349
Reconciliation:					
Add: Other losses (<i>note</i>)					9,873
Revenue as presented in the condensed consolidated statement of profit or loss					<u>386,222</u>
Segment results	(14,616)	(1,833)	(12,143)	(1,199)	(29,791)
Reconciliation:					
Bank interest income					39
Rental income					2,066
Share of profits of joint ventures					85,381
Share of losses of associates					(2,424)
Loss on disposal of items of property, plant and equipment					(14)
Unallocated expenses					(16,560)
Finance costs					(60)
Profit before tax					<u>38,637</u>

3. OPERATING SEGMENT INFORMATION (Continued)

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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	442,078	15,923	(946)	365	457,420
Reconciliation:					
Add: Other losses (<i>note</i>)					946
					<hr/>
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)
					<hr/>
Profit before tax					<u>128,851</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 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 2022 (unaudited)					
Segment assets	549,291	85,606	26,693	2,249	663,839
Reconciliation:					
Elimination of intersegment receivables					(541,418)
Investments in joint ventures					1,316,869
Investments in associates					1,886
Corporate and other unallocated assets					282,428
Total assets					<u><u>1,723,604</u></u>
Segment liabilities	27,167	256,946	206,078	80,758	570,949
Reconciliation:					
Elimination of intersegment payables					(541,418)
Corporate and other unallocated liabilities					76,151
Total liabilities					<u><u>105,682</u></u>
Year ended 31 March 2022 (audited)					
Segment assets	572,873	82,140	40,186	2,291	697,490
Reconciliation:					
Elimination of intersegment receivables					(536,578)
Investments in joint ventures					1,266,363
Investments in associates					4,310
Corporate and other unallocated assets					313,879
Total assets					<u><u>1,745,464</u></u>
Segment liabilities	39,754	253,458	207,232	78,209	578,653
Reconciliation:					
Elimination of intersegment payables					(536,578)
Corporate and other unallocated liabilities					81,351
Total liabilities					<u><u>123,426</u></u>

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue

	Six months ended	
	30 September 2022 <i>HK\$'000</i> (unaudited)	30 September 2021 <i>HK\$'000</i> (unaudited)
Revenue from contracts with customers		
Semiconductor distribution	378,896	442,078
Consumer product sales and product sourcing business	7,126	15,923
Others	200	365
	<u>386,222</u>	<u>458,366</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 September 2022 (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>378,896</u>	<u>7,126</u>	<u>200</u>	<u>386,222</u>
Geographical markets				
Hong Kong	–	7,126	200	7,326
Singapore	<u>378,896</u>	<u>–</u>	<u>–</u>	<u>378,896</u>
Total revenue from contracts with customers	<u>378,896</u>	<u>7,126</u>	<u>200</u>	<u>386,222</u>
Timing of revenue recognition				
Transferred at a point in time	<u>378,896</u>	<u>7,126</u>	<u>200</u>	<u>386,222</u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

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

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 September 2021 (Unaudited)

Segments	Semiconductor distribution HK\$'000	Consumer product and product sourcing business HK\$'000	Others HK\$'000	Total HK\$'000
Total revenue from contracts with customers	442,078	15,923	365	458,366
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	442,078	15,923	365	458,366
Timing of revenue recognition				
Transferred at a point in time	442,078	15,923	365	458,366
Other income and gains				

	Six months ended	
	30 September 2022 HK\$'000 (unaudited)	30 September 2021 HK\$'000 (unaudited)
Bank interest income	39	19
Interest income on listed bond investments	–	341
Dividend income from listed equity investments	53	11
Rental income	2,066	2,094
Government grants (note)	857	611
Foreign exchange differences, net	–	606
Others	170	468
	3,185	4,150

Note: There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	30 September	30 September
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	44	6
Interest on lease liabilities	16	32
	<u>60</u>	<u>38</u>

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	30 September
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	748	735
Depreciation of right-of-use assets	725	975
Loss on disposal of items of property, plant and equipment	14	–
Amortisation of other intangible assets	–	5
Foreign exchange differences, net	1,271	(606)
	<u>1,271</u>	<u>(606)</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 2021: 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	30 September
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Elsewhere		
Charge for the period	86	2,228
	<u>86</u>	<u>2,228</u>

8. DIVIDEND

Dividend recognised as distribution during the period:

	Six months ended	
	30 September	30 September
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend declared and paid – HK\$0.04 (2021: HK\$0.03) per ordinary share	36,347	27,260

On 30 November 2022, the Board of Directors has resolved to declare an interim dividend of HK\$0.01 (for the six months ended 30 September 2021: HK\$0.01) per share for the six months ended 30 September 2022, amounting to a total of approximately HK\$9,087,000 (for the six months ended 30 September 2021: HK\$9,087,000), payable on or around 3 January 2023 to shareholders whose names appear on the register of members of the Company on 16 December 2022.

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 number of ordinary shares of 908,663,302 (for the six months ended 30 September 2021: 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
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	38,551	126,623

Earnings

	Number of shares	
	30 September	30 September
	2022	2021
Shares		
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

Shares

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2022 <i>HK\$'000</i> (unaudited)	31 March 2022 <i>HK\$'000</i> (audited)
Listed equity investments	1,143	1,635
Listed bond investments	629	1,186
Equity investment traded over-the-counter	12,782	25,144
Unlisted equity investments	420	420
Key management insurance contracts	25,482	25,482
	<u>40,456</u>	<u>53,867</u>
Analysed for reporting purpose as:		
Current assets	14,974	28,385
Non-current assets	25,482	25,482
	<u>40,456</u>	<u>53,867</u>

11. TRADE RECEIVABLES

	30 September 2022 <i>HK\$'000</i> (unaudited)	31 March 2022 <i>HK\$'000</i> (audited)
Trade receivables	40,297	53,203
Impairment	(38,193)	(44,604)
	<u>2,104</u>	<u>8,599</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 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 1 month	542	7,814
1 to 2 months	202	44
2 to 3 months	521	96
3 to 12 months	669	327
Over 12 months	170	318
	<u>2,104</u>	<u>8,599</u>

12. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade payables	12,998	4,277
Deposits received	1,171	1,320
Accrued expenses	13,645	18,251
	<u>27,814</u>	<u>23,848</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 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade payables:		
Current	10,216	2,587
1 to 30 days	532	26
31 to 60 days	385	7
Over 60 days	1,865	1,657
	<u>12,998</u>	<u>4,277</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 2022, with the comparative figures for the corresponding six months period of 2021.

	Six months ended 30 September	
	2022	2021
	<i>HK\$'million</i>	<i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	378.9	442.1
Consumer product and product sourcing business	7.1	15.9
Venture capital	(9.9)	(1.0)
Others	0.2	0.4
	<u>376.3</u>	<u>457.4</u>
<i>Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items</i>		
Corporate	(16.6)	(17.2)
Venture capital	(12.1)	(2.5)
Semiconductor distribution	72.1	156.9
Consumer product and product sourcing business	(4.3)	(2.9)
Others	(1.2)	(4.4)
	<u>37.9</u>	<u>129.9</u>
<i>Depreciation and amortisation</i>		
Corporate	(0.1)	–
Venture capital	(0.4)	(0.6)
Semiconductor distribution	(1.0)	(1.1)
	<u>(1.5)</u>	<u>(1.7)</u>
Total depreciation and amortisation		
Profit before interest and tax	38.8	128.8
Interest expenses	(0.1)	–
Bank interest income	–	–
	<u>38.7</u>	<u>128.8</u>
Profit before tax		
Income tax	(0.1)	(2.2)
	<u>38.6</u>	<u>126.6</u>
Profit for the period attributable to owners of the Company		

BUSINESS REVIEW

Since the start of the year, global economic activity has significantly decelerated with inflation rising to levels not seen for several decades. Numerous countries around the world are facing high living costs and this is coupled with tightening financial conditions in most regions. Moreover, Russia's invasion of Ukraine and the lingering COVID-19 pandemic all continue to weigh heavily on economic sentiment. The International Monetary Fund ("IMF") pointed out in its World Economic Outlook (October 2022), US gross domestic product ("GDP") in the first half of 2022 and the Euro GDP in the second half of 2022 both contracted together with prolonged COVID-19 outbreaks and lockdowns in China which is also facing a growing property-sector crisis. According to the IMF, around one-third of the global economy faces negative growth for two consecutive quarters. Its future health is critically dependent on monetary policies being successfully recalibrated, then staying the course to restore price stability. This will depend on the ongoing war in Ukraine and with the risk of further pandemic-related supply-side disruption.

During the period under review, in an environment of significant slowdown in global economic activity and high inflation, the Group's revenue by segment was HK\$376.3 million (2021: HK\$457.4 million) decreased by around 17.7%. Among which semiconductor distribution business recorded a revenue of HK\$378.9 million (2021: HK\$442.1 million), consumer product and product sourcing business recorded a revenue of HK\$7.1 million (2021: HK\$15.9 million), venture capital business recorded a loss of HK\$9.9 million (2021: HK\$1.0 million) and internet social media business recorded a revenue of HK\$0.2 million (2021: HK\$0.4 million).

Semiconductor Distribution Business

According to the market research company, International Data Corporation ("IDC"), it is expected that consumer-facing markets will begin to slow down by the fourth quarter of the year, with more modest growth for the year as a whole. Nevertheless, against a backdrop of increasing global economic uncertainty, high inventories and reduced customer demand, the price of chips declined sharply during the year with certain chips dropping more than 80% from their peak.

During the period under review, the semiconductor distribution business recorded a revenue of HK\$378.9 million (2021: HK\$442.1 million) which is mainly contributed by the subsidiary in Singapore that focuses business 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. With the dropped in price of semiconductor components, the Group recorded a gross loss during the period under review.

During the period under review, the revenue for the joint venture of the Group, AVP Electronics Limited and its subsidiaries ("AVPEL Group") declined, though not being consolidated into the Group's condensed consolidated financial statements, recorded 21.3% decreased to HK\$10,685 million (2021: HK\$13,582 million). The Group's profits shared from AVPEL Group decreased when comparing to

the previous period mainly due to the less favorable performance of AVPEL Group during the period under review. The main customers of AVPEL Group are China's major mobile phone manufacturers and mobile phone component suppliers. AVPEL Group engaged in the distribution of Samsung Electronics mainly including CMOS image sensors and multi-layer packaged chips.

According to IDC, in the third quarter of 2022 smartphone shipments worldwide declined 9.7% year-on-year to 301.9 million units. This marks the fifth consecutive quarter of decline for the smartphone market as shipments continue to struggle against weakening global demand and economic uncertainty. Most of the decline came from emerging markets where lack of demand, rising costs, and high inflation impacted consumers with smaller disposable incomes. IDC expect a steeper decline in shipments during 2022. Emerging markets in Asia Pacific could see even greater declines that may reach double digits, coupled with even fewer shipments and reduced orders from OEMs as they try to deplete inventories, leading to an oversupply of chips for mobile phones and lower prices. In view of the weakening demand for smartphone in line with the economic downturn, the Group will closely monitor the development of the semiconductor market with its extensive market experience and prudent attitude and allocate existing resources flexibly to cope with short-term fluctuations in the semiconductor market.

Consumer Product and Product Sourcing Business

During the period under review, the business of consumer product and product sourcing recorded a revenue of HK\$7.1 million (2021: HK\$15.9 million). The Group's consumer product and product sourcing business is focused on a wide range of electronic products including small home appliances and vogueish new electronic products. It targets various Asia Pacific markets such as Hong Kong, Macau, Singapore and Indonesia.

In Southeast Asia ("SEA"), the e-economy continues to thrive. According to a research report, e-Conomy SEA 2022, jointly published by Google, Temasek Holdings and Bain & Company, SEA's gross merchandise value ("GMV") of e-commerce for the six countries of Indonesia, Malaysia, Singapore, Thailand, Philippines and Vietnam is expected to reach US\$200 billion by 2022. As e-commerce continues to expand, food distribution and online media have returned to pre-epidemic levels, while travel and transport will need more time to recover. By 2030, the GMV of the Southeast Asian market is forecast to grow to US\$600 billion. As Southeast Asia's societies and economies continue to rapidly develop and enter the "Digital Age", the transition from offline to online will be worth watching. As such, the Group will continue to diversify its business into the Southeast Asian market with Hong Kong as the centre, and will continue to identify suitable opportunities for growth in the e-commerce market.

Internet Social Media Business

During the period under review, revenue from 830 Media Limited ("830 Media") was HK\$0.2 million (2021: HK\$0.4 million), which was mainly contributed by its wholly owned subsidiary, 830 Lab Limited ("830 Lab").

830 Lab is dedicated to helping its clients to promote their brands and businesses online. 830 Lab offers not only web design and development services, but also the one-stop online content creation services which including filming and photography. During the period under review, 830 Lab attracted the attention of various major brands and entered into collaborations using its unique one-stop creative content promotion solution.

Moreover, 830 Media's online parenting platform, "He She Kids", since its inception, has engaged in creating and producing high-quality videos. Providing extensive baby care information and videos on both "He She Kids" website and Facebook page, which keeps up with hot topics, is becoming increasingly recognized and valued by parents.

According to a PwC report, the Hong Kong advertising market will increasingly be dominated by digital advertising with the widespread adoption of 5G powering its future expansion. By 2026, digital advertising revenue is expected to account for over 60% of the total market. Hong Kong's total internet advertising revenue is expected to grow at a compound annual growth rate of 7.5% over the next five years, from US\$1.4 billion in 2021 to US\$2.0 billion in 2026. With the digital wave spreading globally and reshaping the media industry, the Group will continue leveraging its existing Internet social media resources to capture future growth opportunities.

Venture Capital Business

During the period under review, the revenue for venture capital business recorded a loss of HK\$9.9 million (2021: HK\$1.0 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 30 September 2022, 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\$40.5 million (31 March 2022: HK\$53.9 million) by the Group. During the period 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\$10.0 million (2021: HK\$1.4 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. In view of the high inflation and significant signs of downturn in the global economy, the Group will adopt a prudent investment strategy in the venture capital business, coupled with its extensive market experience, to select suitable investment targets with a view to sustaining stable returns amidst the volatile global market conditions.

As at 30 September 2022, the Group's major strategic investments included investments in Tooniply Co., Ltd, a mobile game developer based in Korea, and Urban City Joint Stock Company, an e-commerce company based in Vietnam.

PROSPECT

The global economy is facing serious challenges with inflation at a record high and the war between Russia and Ukraine unresolved. In its World Economic Outlook (October 2022), the IMF forecasts that global economic growth will decline from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023, with the US GDP declining even further from 1.6% in 2022 to 1.0% in 2023, the Euro GDP falling from 3.1% in 2022 to 0.5% in 2023. Global inflation soared from 4.7% in 2021 to 8.8% in 2022, reflecting the serious downside risks facing the global economy.

The IMF also pointed out that China's deteriorating real estate sector, coupled with ongoing COVID-19 outbreaks and lockdowns all weighed heavily on China's economy, slowing economic growth in 2022 to 3.2%, the second lowest level since 1977. Nonetheless, China's GDP growth of 3.9% year-on-year in the third quarter exceeded market expectations. However, both domestic and international analysts share the view that China will not be able to reach the 5.5% annual economic growth target set at the beginning of 2022.

Despite the various factors hindering the global economic downturn during the year, semiconductor companies still have the opportunities for the development of the 5G technology. A KPMG survey reveals that production capacity for semiconductor is growing in line with market demand, pushing the industry's confidence index to a record high. Moving forward, wireless technology, 5G technology, automotive and the Internet of Things will be the key applications driving the industry's development. The report highlights that semiconductor supply chains became more resilient following the pandemic. Nonetheless, any further shutdowns in key development areas due to the pandemic or other challenges could significantly impact the entire industry supply chain. At the same time, in the age of ubiquitous smartphones with societies and industries undergoing digital transformations, 5G continues to be rapidly rolled out.

According to Ericsson's Mobile Trends Report, the total number of 5G mobile should exceed one billion by the end of 2022, with 5G covering a quarter of the world's population. By the end of 2027, the global 5G user base will reach 4.4 billion, accounting for 48% of all mobile users. With the rapid development of 5G, the market is shifting from 'fast connectivity' to harnessing 5G's vast potential – from the Internet of Things and edge computing to pushing the boundaries of what is possible for consumers and businesses in every region. IDC expects the 5G enterprise services market in Asia Pacific (excluding Japan) to be worth US\$8 billion by 2026, indicating that the 5G's rapid development will bring significant growth opportunities for the industry.

Looking ahead, the Group will continue leveraging the market strengths it has accumulated over many years and flexibly deploying its available resources to weather a volatile operating environment during the current economic downturn. Given future uncertainty, the Group will maintain a cautious and prudent approach, effectively using the resources available to it and seeking new market opportunities while consolidating its competitive edge in the Asia-Pacific region. The Group's long-term goal is to achieve steady growth and thereby generate a reasonable return on investment for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position and the gearing ratio as at 30 September 2022 and 31 March 2022 are shown as follows:

	30 September 2022 <i>HK\$'million</i>	31 March 2022 <i>HK\$'million</i>
Cash and cash equivalents	112.5	152.2
Financial assets at fair value through profit or loss (included in current assets)	15.0	28.4
	127.5	180.6
Borrowings and lease liabilities	5.7	7.6
Total equity	1,617.9	1,622.0
Total debt to total equity	0.4%	0.5%

As at 30 September 2022, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institutions) of HK\$112.5 million (31 March 2022: HK\$152.2 million), while the Group's financial assets at fair value through profit or loss (included in current assets) amounted to HK\$15.0 million (31 March 2022: HK\$28.4 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 2022 was 0.4% (31 March 2022: 0.5%), while the Group's total equity as at 30 September 2022 was HK\$1,617.9 million (31 March 2022: HK\$1,622.0 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 2022 of HK\$127.5 million (31 March 2022: HK\$180.6 million).

The working capital position of the Group remains healthy. As at 30 September 2022, the liquidity ratio was 210% (31 March 2022: 239%).

	30 September 2022	31 March 2022
	<i>HK\$'million</i>	<i>HK\$'million</i>
Current assets	190.7	258.6
Current liabilities	(90.8)	(108.4)
Net current assets	99.9	150.2
Current assets to current liabilities	210%	239%

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 2022, the Group recorded financial assets at fair value through profit or loss of approximately HK\$40.5 million (31 March 2022: HK\$53.9 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 financial assets at fair value through profit or loss have been pledged to secure the bank facilities granted to the Group.

EMPLOYEES

As at 30 September 2022, the Group employed a total of approximately 146 (31 March 2022: approximately 137) 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, discretionary bonuses are granted based on the Group’s and individual’s performances.

EVENT AFTER THE REPORTING PERIOD

On 3 October 2022, the Group granted an option to an independent third party (the “Purchaser”) that the Purchaser has the right to acquire an office unit of the Group in Singapore for a cash consideration of SGD4,100,480 (equivalent to approximately HK\$22,348,000). The Purchaser has the right to exercise the option by 18 October 2022. The Group is expected to record an unaudited gain of approximately HK\$20,464,000 from the disposal. For details of the transaction, please refer to the announcement of the Company dated 3 October 2022.

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

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 of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2022, except for the deviation of code provision C.2.1 of the Corporate Governance Code as express below:

Code provision C.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 C.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 2022.

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, PhD, SBS, JP and Mr. Charles Edward Chapman, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, 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 2022.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$0.01 (2021: HK\$0.01) per share for the six months ended 30 September 2022. The interim dividend will be payable on or around 3 January 2023 to shareholder whose names appear on the register of members of the Company on 16 December 2022.

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 2022, the Company’s register of members will be closed from Thursday, 15 December 2022 to Friday, 16 December 2022, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 December 2022.

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 2022 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 of
AV CONCEPT HOLDINGS LIMITED
So Yuk Kwan
Chairman

Hong Kong, 30 November 2022

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, PhD, SBS, JP, Mr. Charles Edward Chapman and Mr. Lai Yat Hung Edmund.