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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 2023

Statement of Profit or Loss Highlights

	Six months ended 30 September	
	2023 <i>HK\$'million</i>	2022 <i>HK\$'million</i>
Revenue		
– Semiconductor distribution	381.4	378.9
– Consumer product and product sourcing business	23.8	7.1
– Others	0.5	0.2
	<u>405.7</u>	<u>386.2</u>
Profit/(loss) before interest, tax, depreciation and non-cash items		
– Corporate	(15.6)	(16.6)
– Venture capital	(9.6)	(12.1)
– Semiconductor distribution	65.0	72.1
– Consumer product and product sourcing business	(8.7)	(4.3)
– Others	(0.5)	(1.2)
	<u>30.6</u>	<u>37.9</u>
Depreciation	<u>(1.1)</u>	<u>(1.5)</u>
Profit for the period attributable to owners of the Company	<u>31.6</u>	<u>38.6</u>

Statement of Financial Position Highlights

	30 September 2023 <i>HK\$'million</i>	31 March 2023 <i>HK\$'million</i>
Total assets	1,803.8	1,753.6
Total assets less current liabilities	1,648.0	1,627.9
Total equity	1,633.6	1,613.3
Borrowings and lease liabilities	49.8	20.1
Cash and cash equivalents	57.4	121.4
Financial assets at fair value through profit or loss (included in current assets)	3.3	11.9
	60.7	133.3
Total debt to total equity	3.1%	1.2%
Current assets to current liabilities	120.7%	164.3%
Cash and cash equivalents and financial assets at fair value through profit or loss (included in current assets) per share (<i>HK\$</i>)	0.07	0.15
Total equity per share (<i>HK\$</i>)	1.80	1.78

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 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	405,739	386,222
Cost of sales		<u>(395,421)</u>	<u>(390,441)</u>
Gross profit/(loss)		10,318	(4,219)
Other income and gains	4	5,028	3,185
Selling and distribution expenses		(11,822)	(4,429)
Administrative expenses		(30,981)	(27,472)
Fair value losses on financial assets at fair value through profit or loss, net		(7,773)	(9,998)
Other expenses, net		(1,965)	(1,327)
Finance costs	5	(1,328)	(60)
Share of profits and losses of:			
Joint ventures		70,310	85,381
Associates		–	(2,424)
		<u> </u>	<u> </u>
Profit before tax	6	31,787	38,637
Income tax	7	(148)	(86)
		<u> </u>	<u> </u>
Profit for the period attributable to owners of the Company		<u>31,639</u>	<u>38,551</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		<u>HK3.48 cent</u>	<u>HK4.24 cent</u>
Diluted		<u>HK3.48 cent</u>	<u>HK4.24 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	31,639	38,551
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>(2,313)</u>	<u>(6,320)</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>(2,313)</u>	<u>(6,320)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>29,326</u>	<u>32,231</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023

		30 September	31 March
		2023	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment and right-of-use assets		33,401	34,693
Investment properties		141,619	124,828
Other intangible assets		3,485	3,485
Investments in joint ventures		1,409,076	1,355,041
Investments in associates		–	–
Financial assets at fair value through profit or loss	<i>10</i>	26,277	26,277
Prepayments and deposits	<i>12</i>	1,865	2,714
		<hr/>	<hr/>
Total non-current assets		1,615,723	1,547,038
CURRENT ASSETS			
Inventories		24,405	15,856
Trade receivables	<i>11</i>	10,752	9,116
Prepayments, deposits and other receivables	<i>12</i>	92,272	48,262
Financial assets at fair value through profit or loss	<i>10</i>	3,294	11,946
Cash and cash equivalents		57,370	121,371
		<hr/>	<hr/>
Total current assets		188,093	206,551
CURRENT LIABILITIES			
Trade payables, deposits received and accrued expenses	<i>13</i>	23,878	22,854
Contract liabilities		2,619	3,387
Lease liabilities		199	342
Interest-bearing bank borrowings		49,580	19,618
Tax payable		1,541	1,541
Financial guarantee obligation		77,959	77,959
		<hr/>	<hr/>
Total current liabilities		155,776	125,701
NET CURRENT ASSETS			
		<hr/>	<hr/>
		32,317	80,850
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,648,040	1,627,888

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AT 30 SEPTEMBER 2023

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
NON-CURRENT LIABILITIES		
Lease liabilities	53	140
Deferred tax liabilities	<u>14,412</u>	<u>14,412</u>
Total non-current liabilities	<u>14,465</u>	<u>14,552</u>
Net assets	<u><u>1,633,575</u></u>	<u><u>1,613,336</u></u>
EQUITY		
Issued capital	90,866	90,866
Reserves	<u>1,533,289</u>	<u>1,513,050</u>
Equity attributable to owners of the Company	<u>1,624,155</u>	1,603,916
Non-controlling interests	<u>9,420</u>	<u>9,420</u>
Total equity	<u><u>1,633,575</u></u>	<u><u>1,613,336</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 2023 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA effective as of 1 April 2023.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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.

3. OPERATING SEGMENT INFORMATION (Continued)

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 before tax except that bank interest income, interest income from other receivables, 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.

Information regarding the above segments is reported below.

Six months ended 30 September 2023 (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	381,487	23,799	-	453	405,739
Other losses	-	-	(7,651)	-	(7,651)
Total	381,487	23,799	(7,651)	453	398,088
Reconciliation:					
Add: Other losses (<i>note</i>)					7,651
Revenue as presented in the condensed consolidated statement of profit or loss					<u>405,739</u>
Segment results	(7,378)	(8,693)	(9,642)	(495)	(26,208)
Reconciliation:					
Bank interest income					1,333
Interest income from other receivables					565
Rental income					2,675
Share of profits of joint ventures					70,310
Unallocated expenses					(15,560)
Finance costs					(1,328)
Profit before tax					<u>31,787</u>

3. OPERATING SEGMENT INFORMATION (Continued)

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>

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 2023 (unaudited)					
Segment assets	618,988	81,013	3,788	2,881	706,670
Reconciliation:					
Elimination of intersegment receivables					(548,498)
Investments in joint ventures					1,409,076
Corporate and other unallocated assets					236,568
Total assets					<u>1,803,816</u>
Segment liabilities	62,730	289,965	184,123	81,990	618,808
Reconciliation:					
Elimination of intersegment payables					(548,498)
Corporate and other unallocated liabilities					99,931
Total liabilities					<u>170,241</u>
Year ended 31 March 2023 (audited)					
Segment assets	551,553	77,971	12,787	2,704	645,015
Reconciliation:					
Elimination of intersegment receivables					(529,762)
Investments in joint ventures					1,355,041
Corporate and other unallocated assets					283,295
Total assets					<u>1,753,589</u>
Segment liabilities	33,516	269,454	185,782	79,764	568,516
Reconciliation:					
Elimination of intersegment payables					(529,762)
Corporate and other unallocated liabilities					101,499
Total liabilities					<u>140,253</u>

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Revenue from contracts with customers		
Semiconductor distribution	381,487	378,896
Consumer product sales and product sourcing business	23,799	7,126
Others	453	200
	<u>405,739</u>	<u>386,222</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 September 2023 (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>381,487</u>	<u>23,799</u>	<u>453</u>	<u>405,739</u>
Geographical markets				
Hong Kong	392	23,799	453	24,644
Singapore	<u>381,095</u>	<u>-</u>	<u>-</u>	<u>381,095</u>
Total revenue from contracts with customers	<u>381,487</u>	<u>23,799</u>	<u>453</u>	<u>405,739</u>
Timing of revenue recognition				
Transferred at a point in time	<u>381,487</u>	<u>23,799</u>	<u>453</u>	<u>405,739</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 2022 (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	<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>

Other income and gains

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank interest income	1,333	39
Interest income from other receivables	565	–
Dividend income from listed equity investments	50	53
Rental income	2,675	2,066
Government grants (note)	–	857
Others	<u>405</u>	<u>170</u>
	<u>5,028</u>	<u>3,185</u>

Note: There were 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings	1,317	44
Interest on lease liabilities	11	16
	<u>1,328</u>	<u>60</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation of items of property, plant and equipment	1,053	748
Depreciation of right-of-use assets	–	725
Loss on disposal of items of property, plant and equipment	–	14
Foreign exchange differences, net	1,574	1,271
	<u>1,574</u>	<u>1,271</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 2022: 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current – Elsewhere		
Charge for the period	148	86
	<u>148</u>	<u>86</u>

8. DIVIDEND

Dividend recognised as distribution during the period:

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Final dividend declared and paid – HK\$0.01 (2022: HK\$0.04) per ordinary share	9,087	36,347

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2023.

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 2022: 908,663,302) in issue during the period.

Certain subsidiaries of the Group issued share option to their employees and directors. No adjustment has been made to the Company's earnings per shares amounts presented for the periods ended 30 September 2023 and 2022 in respect of these share options issued by the Company's subsidiaries as they had an antidilutive effect on the earnings per share amount presented. The Company had no other dilutive potential ordinary shares in issue for the current year.

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	31,639	38,551
Number of shares		
	30 September	30 September
	2023	2022
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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Listed equity investments	1,344	1,562
Listed bond investments	243	981
Equity investment traded over-the-counter	1,194	8,890
Unlisted equity investments	513	513
Key management insurance contracts	<u>26,277</u>	<u>26,277</u>
	<u>29,571</u>	<u>38,223</u>
Analysed for reporting purpose as:		
Current assets	3,294	11,946
Non-current assets	<u>26,277</u>	<u>26,277</u>
	<u>29,571</u>	<u>38,223</u>

11. TRADE RECEIVABLES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade receivables	48,257	46,621
Impairment	<u>(37,505)</u>	<u>(37,505)</u>
	<u>10,752</u>	<u>9,116</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:

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Within 1 month	6,975	8,407
1 to 2 months	1,358	318
2 to 3 months	257	5
3 to 12 months	1,942	213
Over 12 months	220	173
	<u>10,752</u>	<u>9,116</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Prepayments	1,197	1,899
Deposits	55,803	12,748
Other receivables	48,435	47,627
	<u>105,435</u>	<u>62,274</u>
Provision for impairment of other receivables	(11,298)	(11,298)
	94,137	50,976
Portion classified as non-current:		
Prepayments and deposits	(1,865)	(2,714)
	<u>92,272</u>	<u>48,262</u>

13. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade payables	6,545	5,708
Deposits received	1,919	1,260
Accrued expenses	15,414	15,886
	<hr/> 23,878 <hr/>	<hr/> 22,854 <hr/>

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 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade payables:		
Current	3,715	3,780
1 to 30 days	763	39
31 to 60 days	–	2
Over 60 days	2,067	1,887
	<hr/> 6,545 <hr/>	<hr/> 5,708 <hr/>

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 2023, with the comparative figures for the corresponding six months period of 2022.

	Six months ended 30 September	
	2023	2022
	<i>HK\$'million</i>	<i>HK\$'million</i>
<i>Revenue by segment</i>		
Semiconductor distribution	381.4	378.9
Consumer product and product sourcing business	23.8	7.1
Venture capital	(7.6)	(9.9)
Others	0.5	0.2
	398.1	376.3
<i>Profit/(loss) before interest, tax, depreciation and non-cash items</i>		
Corporate	(15.6)	(16.6)
Venture capital	(9.6)	(12.1)
Semiconductor distribution	65.0	72.1
Consumer product and product sourcing business	(8.7)	(4.3)
Others	(0.5)	(1.2)
	30.6	37.9
<i>Depreciation</i>		
Corporate	(0.1)	(0.1)
Venture capital	(0.3)	(0.4)
Semiconductor distribution	(0.7)	(1.0)
Total depreciation	(1.1)	(1.5)
Profit before interest and tax	31.7	38.8
Interest expenses	(1.3)	(0.1)
Bank interest income	1.3	–
Profit before tax	31.7	38.7
Income tax	(0.1)	(0.1)
Profit for the period attributable to owners of the Company	31.6	38.6

BUSINESS REVIEW

During the period of review, the global economy was in the process of recovering from the effects of the pandemic, Russia's invasion of Ukraine, and the cost-of-living challenges. In hindsight, its ability to withstand these shocks has been notable. Despite disruptions in energy and food markets due to the war and the significant tightening of global monetary policies to address high inflation levels, the global economy has not come to a standstill. Growth remains modest with disparities across regions, and the world economy is moving forward cautiously. Nevertheless, achieving a full return to pre-pandemic levels appears to be challenging. According to International Monetary Fund, global growth is forecast to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024.

During the period under review, in response to the mounting challenges faced by the global economies, the Group demonstrated remarkable resilience and adaptability in its strategic approach. The Group's revenue amounted to HK\$398.1 million, representing an increase of 5.8% compared to the previous period (2022: HK\$376.3 million). Among which, the semiconductor distribution business generated a revenue of HK\$381.4 million (2022: HK\$378.9 million). The consumer product and product sourcing business recorded a revenue of HK\$23.8 million (2022: HK\$7.1 million). The venture capital business experienced a loss of HK\$7.6 million (2022: HK\$9.9 million). Lastly, the internet social media business reported a revenue of HK\$0.5 million (2022: HK\$0.2 million).

Semiconductor Distribution Business

Gartner, an international research and consulting company released their forecast for worldwide semiconductor earlier this year. According to the report, global semiconductor revenue is expected to decline by 11.2% in 2023, following marginal growth of 0.2% in 2022, with a total revenue of US\$599.6 billion. This decline is attributed to economic headwinds, weak demand in both consumer and business electronics, and oversupply issues leading to inventory build-up and price reductions in the semiconductor market. The semiconductor industry faces other long-term challenges too, such as the saturation of high-volume markets like PC, tablet, and smartphone, and a shift towards smaller, more fragmented end markets with growth potential in automotive, industrial and Internet of Things. Additionally, the industry is still being affected by factors such as the impact of the trade tensions, and a move towards semiconductor self-sufficiency.

Their view was echoed by International Data Corporation ("IDC") Worldwide Quarterly Mobile Phone Tracker released in August 2023. According to the report, global smartphone shipments are expected to decline by 4.7% year over year in 2023, reaching the lowest volume in a decade at 1.15 billion units. This revision from IDC's previous forecast of negative 3.2% is primarily driven by a weaker economic outlook and ongoing inflation, which have dampened consumer demand and extended smartphone refresh cycles. Despite this decline, IDC anticipates a market recovery in 2024 with a 4.5% year-over-year growth, followed by low single-digit growth in the subsequent years, resulting in a five-year compound annual growth rate of 1.7%.

During the period under review, the Group's semiconductor distribution business recorded a revenue of HK\$381.4 million (2022: HK\$378.9 million) which came mainly from its Singapore subsidiary that focuses on Southeast Asian countries such as India, Malaysia, and Vietnam. Memory chips are the main product sold to the Singapore market followed by thin film transistor liquid crystal displays and panels which are widely used in LCD televisions.

In Singapore's semiconductor industry, there have been notable improvements as prices have found stable. After experiencing a significant drop in profits earlier this year, some manufacturers scaled back their production in the second quarter in 2023. This adjustment alleviated the inventory and component-related pressures for the downstream industry players. As the market adapts to these changes, there is a growing sense of optimism that both prices and the semiconductor industry will stabilize in the medium term, creating a more favourable operating environment for businesses in the sector.

During the period under review, the revenue of the Group's joint venture AVP Electronics Limited and its subsidiaries ("AVPEL Group") was not included in the Group's condensed consolidated financial statements. It recorded a revenue of HK\$10,895 million (2022: HK\$10,685 million). Compared to the previous period, the Group's share of profit in AVPEL Group decreased, mainly due to the decrease in gross profit margin and increase in finance costs during the period under review. AVPEL Group's main customers are China's major mobile phone manufacturers and component suppliers. AVPEL Group primarily engages in distribution of Samsung Electronics including CMOS image sensors and multi-layer packaged chips.

Consumer Product and Product Sourcing Business

The overall operation of the Group's consumer product and product sourcing business is mainly managed by one of its subsidiaries, AVC Technology (International) Limited. This subsidiary is responsible for distributing a diverse array of electronic products, encompassing small home appliances and the latest technology gadgets, all aimed at enhancing customers' quality of life and meeting their diverse needs. The consumer product and product sourcing operations focus on several markets, including Hong Kong, Singapore, Thailand, and Indonesia.

During the period under review, the Group's consumer product and product sourcing business recorded a revenue of HK\$23.8 million (2022: HK\$7.1 million). The Hong Kong retail market has shown positive signs of revitalization in the post-pandemic era. After enduring the challenges brought by lockdowns and border closure, the city's retail sector has embarked on a path to recovery. Government stimulus measures, including consumption vouchers and tax relief, have provided a much-needed boost to consumer spending. Additionally, the return of tourists, particularly from mainland China, has contributed to the increased foot traffic in shopping districts. Most retailers have adapted by enhancing their online presence and embracing digital transformation to cater to changing consumer preferences.

The Southeast Asian e-commerce market has witnessed a remarkable boom and continues to exhibit robust growth. According to data from Statista, Asian markets are estimated to grow at a compound annual growth rate above 17% in the 5-year period include Indonesia, Malaysia, and Thailand. In Southeast Asia alone, the e-commerce market's value is projected to reach US\$211 billion by year 2025. Fuelled by a burgeoning middle class, increasing internet penetration, and the proliferation of smartphones, the region's e-commerce sector has become a dynamic force in the global digital economy. Key e-commerce platforms have expanded aggressively, offering a wide range of products and services to consumers across diverse markets. The region's infrastructure improvements, evolving payment solutions, and logistics innovations have further facilitated this growth. As a result, Southeast Asia's e-commerce market remains one of the most promising and competitive in the world, with ample opportunities for both established players and new entrants.

Among which, Indonesia's e-commerce sector has notably surged, with recent government initiatives focused on preventing the domination of algorithms and curbing the use of personal data for business interests. These measures have fostered a more secure and dependable environment, benefitting both domestic and international e-commerce entities and contributing to the continued expansion of the Indonesian e-commerce industry. The government's commitment to creating a fair, healthy, and beneficial electronic commerce ecosystem aligns with the Group's belief that Indonesia, boasting a population of over 277 million people and a growing internet user base, offers immense market potential.

Internet Social Media Business

During the period under review, revenue from 830 Lab Limited ("830 Lab") was HK\$0.5 million (2022: HK\$0.2 million). 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 online content creation services including filming, photography, and post-production.

The Group remains committed to the dynamic internet social media business landscape, which is continually evolving and giving rise to a wide array of supplementary businesses offering new opportunities. Leveraging its extensive brand resources and drawing from its wealth of experience in operational strategy, the Group is well-prepared to navigate this ever-changing terrain. In addition to actively monitoring of the latest industry developments, the Group recognizes the crucial role of creativity and cutting-edge technologies in capitalizing on emerging trends and staying at the forefront of the evolving social media ecosystem.

Venture Capital Business

During the period under review, the Group's venture capital business recorded a loss of HK\$7.6 million (2022: HK\$9.9 million), mainly due to fair value losses on financial assets at fair value through profit or loss, net, and dividend income from listed equity investments in the current period. As of 30 September 2023, listed and unlisted equity investments, listed bond investments, equity investment traded over-the-counter and key management insurance contracts were held at a fair market value of HK\$29.6 million (31 March 2023: HK\$38.2 million) by the Group. During the period under review, the Group's venture capital business recorded a fair value loss on financial assets at fair value through profit or loss, net of HK\$7.8 million (2022: HK\$10.0 million).

The venture capital business has always contributed considerable income for the Group. The ultimate objective for these investments is to make capital gains on investee's equity listings or, in some circumstances, prior to listing.

On 30 September 2023, the Group's major strategic investments included investments in Tooniplay Co., Ltd. and Urban City Joint Stock Company. Tooniplay Co., Ltd. is a Korean-based mobile game developer, and Urban City Joint Stock Company is a Vietnamese e-commerce company.

PROSPECT

The global economy currently maintains a cautiously neutral outlook, marked by a delicate balance of both favorable and concerning factors. The ongoing Russia-Ukraine conflict, alongside the instability in the Middle East, introduces significant geopolitical uncertainties that may potentially disrupt the global economy. These geopolitical tensions, coupled with lingering inflation pressures, raise concerns for the near-term economic outlook, impacting consumer spending and investment decisions. However, amid these challenges, there are positive signs. Business activities are gradually recovering, and some regions are witnessing economic rebounds. Moreover, a slight easing in trade tensions among major economies offers a glimmer of hope for improved international cooperation and trade, providing potential opportunities for global economic growth.

In parallel, the worldwide smartphone semiconductor industry operates within this intricate global economic landscape. It faces various dynamics and challenges, including supply chain constraints stemming from factors such as semiconductor shortages and logistical disruptions, as well as the ever-evolving landscape of consumer preferences and demands. However, despite these hurdles, the smartphone semiconductor sector has demonstrated remarkable resilience and adaptability.

One source of optimism in the industry is the continuous introduction of new smartphone models and the emergence of new vendors entering the competitive race. The innovation-driven nature of the smartphone market fosters healthy competition, with manufacturers constantly striving to deliver enhanced features and improved performance. This innovation not only keeps consumers engaged but also encourages wider adoption of smartphones across different demographics and regions. Moreover, as competition intensifies, there is potential for price reductions in the smartphone market. Lower prices can make these essential devices more accessible to a broader range of consumers, further driving demand. This, in turn, offers opportunities for semiconductor manufacturers to scale up production and optimize supply chains to meet the growing consumer appetite for smartphones.

The revival of the Hong Kong retail sector signifies the resurgence in consumer confidence and spending. The rebound in local tourism, an important pillar of Hong Kong's economy, further enhances the potential for retail growth, particularly in sectors such as electronics.

Simultaneously, the e-commerce boom in Southeast Asia is a game-changer for businesses looking to expand their digital footprint. Furthermore, the growth in e-commerce opens up possibilities for cross-border trade within the region. Businesses can leverage this to expand beyond their local markets, exploring new customer segments and demand patterns.

Looking ahead, the Group remains committed to prioritizing the development of its core business in semiconductor distribution. It will diligently monitor the latest industry trends, consolidate, and expand its existing operations. The Group will also embrace the fresh challenges and harness the opportunities that lie ahead. We are confident of achieving continued success by leveraging our deep industry knowledge and solid business foundation.

LIQUIDITY AND FINANCIAL RESOURCES

The total debt position and the gearing ratio as at 30 September 2023 and 31 March 2023 are shown as follows:

	30 September 2023	31 March 2023
	<i>HK\$'million</i>	<i>HK\$'million</i>
Cash and cash equivalents	57.4	121.4
Financial assets at fair value through profit or loss (included in current assets)	3.3	11.9
	<u>60.7</u>	<u>133.3</u>
Borrowings and lease liabilities	<u>49.8</u>	<u>20.1</u>
Total equity	<u>1,633.6</u>	<u>1,613.3</u>
Total debt to total equity	<u>3.1%</u>	<u>1.2%</u>

As at 30 September 2023, the Group had cash and cash equivalents (i.e. cash and bank balances and deposits with other financial institutions) of HK\$57.4 million (31 March 2023: HK\$121.4 million), while the Group's financial assets at fair value through profit or loss (included in current assets) amounted to HK\$3.3 million (31 March 2023: HK\$11.9 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 2023 was 3.1% (31 March 2023: 1.2%), while the Group's total equity as at 30 September 2023 was HK\$1,633.6 million (31 March 2023: HK\$1,613.3 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 2023 of HK\$60.7 million (31 March 2023: HK\$133.3 million).

The working capital position of the Group remains healthy. As at 30 September 2023, the liquidity ratio was 121% (31 March 2023: 164%).

	30 September 2023	31 March 2023
	<i>HK\$'million</i>	<i>HK\$'million</i>
Current assets	188.1	206.6
Current liabilities	(155.8)	(125.7)
Net current assets	32.3	80.9
Current assets to current liabilities	121%	164%

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 2023, the Group recorded financial assets at fair value through profit or loss of approximately HK\$29.6 million (31 March 2023: HK\$38.2 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 21 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 2023, the Group employed a total of approximately 135 (31 March 2023: approximately 138) 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. Discretionary bonuses may granted based on the Group’s and individual’s performances.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 2023, 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 two 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 2023.

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 two independent non-executive Directors, namely Mr. Lai Yat Hung Edmund (Chairman of Audit Committee) and Dr. Lui Ming Wah, PhD, SBS, JP, 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 2023.

CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, change of directors' information of the Company since the Company's latest published annual report is as follows:

Mr. Charles Edward Chapman ("Mr. Chapman"), the independent non-executive director, the chairman of the nomination committee (the "Nomination Committee") and a member of the Audit Committee, remuneration committee (the "Remuneration Committee") and corporate governance committee (the "Corporate Governance Committee") of the Company, passed away on 1 November 2023.

Following the passing away of Mr. Chapman, the Board comprises five directors, including three executive directors and two independent non-executive directors. The Company currently does not meet (i) the minimum number of independent non-executive directors required under Rule 3.10(1) of the Listing Rules; and (ii) the minimum number of members in the nomination committee, the audit committee, the remuneration committee and the corporate governance committee required under Rules 3.21, 3.25 and 3.27A of the Listing Rules.

The Company is in the process of identifying a suitable candidate to fill the vacancy of the independent non-executive director, the members of the Nomination Committee, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee in order to fulfill the requirements of the Listing Rules as soon as practicable and in any event within three months from the date of the pass away of Mr. Chapman pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 September 2023.

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 2023 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, 24 November 2023

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 two independent non-executive Directors, Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Lai Yat Hung Edmund.