



**AV CONCEPT HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 595

# **INTERIM REPORT 2016/17**

## STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Six months ended 30 September	
	2016	2015
	HK\$'million	HK\$'million
Revenue		
– Semiconductor distribution	565.0	591.2
– Consumer electronic product sales	13.9	23.9
– Others	0.4	1.6
	<u>579.3</u>	<u>616.7</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
– Corporate	(10.4)	(12.0)
– Venture capital	42.2	(16.1)
– Semiconductor distribution	106.5	52.3
– Consumer electronic product sales	(4.0)	(2.1)
– Others	(3.8)	(8.9)
	<u>130.5</u>	<u>13.2</u>
Depreciation and amortisation	<u>(1.8)</u>	<u>(4.0)</u>
Profit for the period attributable to:		
Owners of the Company	119.9	6.3
Non-controlling interests	–	–
	<u>119.9</u>	<u>6.3</u>
Interim dividend	<u>–</u>	<u>–</u>

## STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	<b>30 September 2016</b>	31 March 2016
	<b>HK\$'million</b>	HK\$'million
Total assets	<b>1,006.1</b>	884.5
Total assets less current liabilities	<b>800.9</b>	681.0
Total equity	<b>778.1</b>	657.6
Borrowings and finance lease payables	<b>131.7</b>	137.2
Cash and cash equivalents	<b>190.5</b>	69.6
Equity investments at fair value through profit or loss	<b>12.0</b>	73.0
Cash and cash equivalents and equity investments	<b>202.5</b>	142.6
Total debt to total equity (%)	<b>17%</b>	21%
Current assets to current liabilities (%)	<b>186%</b>	147%
Cash and cash equivalents and equity investments per share (HK\$)	<b>0.26</b>	0.18
Total equity per share (HK\$)	<b>1.01</b>	0.85

## UNAUDITED INTERIM RESULTS

The Board of Directors of AV Concept Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2016 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2016 (unaudited)	2015 (unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
<b>Revenue</b>	4	<b>579,335</b>	616,741
Cost of sales		<u>(553,516)</u>	<u>(599,657)</u>
Gross profit		<b>25,819</b>	17,084
Other income and gains	4	<b>5,638</b>	4,370
Selling and distribution expenses		<b>(4,481)</b>	(7,389)
Administrative expenses		<b>(32,738)</b>	(49,467)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss			
– held for trading		<b>(2,591)</b>	(15,650)
– designated as such upon initial recognition		<b>46,187</b>	1,801
Other expenses, net		<b>(13,485)</b>	(17,703)
Finance costs	5	<b>(1,699)</b>	(3,216)
Share of profits and losses of:			
Joint ventures		<b>95,807</b>	71,985
Associates		<b>1,727</b>	4,171
<b>Profit before tax</b>	6	<b>120,184</b>	5,986
Income tax	7	<b>(316)</b>	265
<b>Profit for the period</b>		<b><u>119,868</u></b>	<b><u>6,251</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Attributable to:			
Owners of the Company		<b>119,869</b>	6,250
Non-controlling interests		<u>(1)</u>	<u>1</u>
		<b><u>119,868</u></b>	<b><u>6,251</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	<i>9</i>		
Basic		<b><u>HK\$0.155</u></b>	<u>HK\$0.008</u>
Diluted		<b><u>HK\$0.155</u></b>	<u>HK\$0.008</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT FOR THE PERIOD</b>	<u><u>119,868</u></u>	<u><u>6,251</u></u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>712</u>	<u>(4,352)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<u>712</u>	<u>(4,352)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>120,580</u></u>	<u><u>1,899</u></u>
Attributable to:		
Owners of the Company	<u>120,581</u>	<u>1,898</u>
Non-controlling interests	<u>(1)</u>	<u>1</u>
	<u><u>120,580</u></u>	<u><u>1,899</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2016 (unaudited)	31 March 2016 (audited)
	<i>Notes</i>	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	39,272	40,605
Investment properties		116,518	116,762
Goodwill		10,483	10,483
Other intangible assets		3,670	4,198
Investments in joint ventures		390,436	370,153
Investments in associates		24,185	22,439
Convertible bond		19,425	–
Available-for-sale investments		20,891	20,891
Deposits		597	466
Pledged time deposits		–	269
Total non-current assets		<u>625,477</u>	<u>586,266</u>
<b>CURRENT ASSETS</b>			
Inventories		84,816	69,259
Trade receivables	11	72,077	63,994
Due from associates		4,601	12,157
Prepayments, deposits and other receivables		16,525	10,164
Equity investments at fair value through profit or loss	12	11,984	72,994
Tax recoverable		112	117
Cash and cash equivalents		190,489	69,563
Total current assets		<u>380,604</u>	<u>298,248</u>
<b>CURRENT LIABILITIES</b>			
Trade payables, deposits received and accrued expenses	13	69,455	62,652
Interest-bearing bank and other borrowings		122,520	127,480
Finance lease payables		301	287
Tax payable		12	185
Financial guarantee obligation		12,866	12,866
Total current liabilities		<u>205,154</u>	<u>203,470</u>
<b>NET CURRENT ASSETS</b>		<u>175,450</u>	<u>94,778</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>800,927</u>	<u>681,044</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2016 (unaudited)	31 March 2016 (audited)
	<i>Note</i>	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		8,407	8,826
Finance lease payables		450	610
Deferred tax liabilities		<u>13,928</u>	<u>14,046</u>
Total non-current liabilities		<u>22,785</u>	<u>23,482</u>
Net assets		<u><u>778,142</u></u>	<u><u>657,562</u></u>
<b>EQUITY</b>			
Issued capital	14	77,294	77,294
Reserves		<u>689,504</u>	<u>568,923</u>
Equity attributable to owners of the Company		<u>766,798</u>	646,217
Non-controlling interests		<u>11,344</u>	<u>11,345</u>
Total equity		<u><u>778,142</u></u>	<u><u>657,562</u></u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Other reserve	Available-for-sale investments revaluation reserve	Asset revaluation reserve	Equity-settled share-based payment reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (audited)	77,294	453,469	19,484	(38,483)	(1,902)	38,765	1,255	2,979	92,724	645,585	8,581	654,166
Profit for the period	-	-	-	-	-	-	-	-	6,250	6,250	1	6,251
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,352)	-	(4,352)	-	(4,352)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(4,352)	6,250	1,898	1	1,899
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	4,756	4,756
At 30 September 2015 (unaudited)	<u>77,294</u>	<u>453,469</u>	<u>19,484</u>	<u>(38,483)</u>	<u>(1,902)</u>	<u>38,765</u>	<u>1,255</u>	<u>(1,373)</u>	<u>99,974</u>	<u>647,483</u>	<u>13,338</u>	<u>660,821</u>
At 1 April 2016 (audited)	77,294	453,469	19,484	(38,483)	(2,831)	38,765	1,255	2,393	94,871	646,217	11,345	657,562
Profit/(loss) for the period	-	-	-	-	-	-	-	-	119,869	119,869	(1)	119,868
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	712	-	712	-	712
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	712	119,869	120,581	(1)	120,580
At 30 September 2016 (unaudited)	<u>77,294</u>	<u>453,469</u>	<u>19,484</u>	<u>(38,483)</u>	<u>(2,831)</u>	<u>38,765</u>	<u>1,255</u>	<u>3,105</u>	<u>214,740</u>	<u>766,798</u>	<u>11,344</u>	<u>778,142</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2016 (unaudited)	2015 (unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<b>41,468</b>	70,147
INVESTING ACTIVITIES		
Bank interest received	284	92
Purchases of items of property, plant and equipment	(239)	(662)
Purchases of available-for-sale investments	-	(2,454)
Subscription of a convertible bond	(19,425)	-
Disposal of equity investments at fair value through profit or loss	104,606	18,917
Other investing cash flows, net	883	(38)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<b>86,109</b>	15,855
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(14,670)	(20,417)
Net increase/(decrease) in import and trust receipt loans	9,291	(146,231)
Other financing cash flows, net	(1,845)	(3,300)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<b>(7,224)</b>	(169,948)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>120,353</b>	(83,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>69,563</b>	131,739
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	573	3,538
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<b>190,489</b>	51,331

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 electronic products, 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

The condensed consolidated financial statements have been prepared under the historical cost convention, except for convertible bond, equity investments at fair value through profit or loss, certain available-for-sale investments (including key management insurance contracts) and investment properties which have been measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 April 2016.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. 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 electronic product segment engages in the design, development and sale of electronic products;
- (c) the venture capital segment engages in the investments in listed/unlisted equity 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 estates or managed funds; and
- (d) the others segment mainly comprises the Group's mobile application development business.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

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, dividend income from listed investments, rental income, share of profits and losses of associates and joint ventures, provision for amounts due from associates, gain 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 2016 (Unaudited)

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	565,019	13,888	-	428	579,335
Other revenue	-	-	43,240	-	43,240
<b>Total</b>	<b>565,019</b>	<b>13,888</b>	<b>43,240</b>	<b>428</b>	<b>622,575</b>
Reconciliation:					
<i>Less: Other revenue (note)</i>					(43,240)
Revenue as presented in the condensed consolidated statement of profit or loss					<u>579,335</u>
<b>Segment results</b>	<b>6,345</b>	<b>(3,983)</b>	<b>41,941</b>	<b>(3,763)</b>	<b>40,540</b>
Reconciliation:					
Bank interest income					284
Dividend income from listed investments					188
Rental income					3,060
Share of profits of joint ventures					95,807
Share of profits and losses of associates					1,727
Provision for amounts due from associates					(9,356)
Gain on disposal of items of property, plant and equipment					61
Unallocated expenses					(10,428)
Finance costs					(1,699)
<b>Profit before tax</b>					<u><u>120,184</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

Six months ended 30 September 2015 (Unaudited)

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	591,278	23,873	-	1,590	616,741
Other revenue	-	-	(13,731)	-	(13,731)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	591,278	23,873	(13,731)	1,590	603,010
Reconciliation:					
<i>Add: Other revenue (note)</i>					<hr/> 13,731
Revenue as presented in the condensed consolidated statement of profit or loss					616,741
Segment results	(23,308)	(2,051)	(16,480)	(9,856)	(51,695)
Reconciliation:					
Bank interest income					92
Dividend income from listed investments					46
Rental income					2,670
Share of profits of joint ventures					71,985
Share of profits and losses of associates					4,171
Unallocated expenses					(18,067)
Finance costs					<hr/> (3,216)
Profit before tax					<hr/> <hr/> 5,986

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

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

	Semiconductor distribution	Consumer electronic product	Venture capital	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Period ended 30 September 2016 (unaudited)</b>					
<b>Segment assets</b>	<b>537,162</b>	<b>90,683</b>	<b>45,535</b>	<b>647</b>	<b>674,027</b>
Reconciliation:					
Elimination of intersegment receivables					(303,962)
Investments in joint ventures					390,436
Investments in associates					24,185
Corporate and other unallocated assets					221,395
Total assets					<u>1,006,081</u>
<b>Segment liabilities</b>	<b>66,027</b>	<b>136,401</b>	<b>140,973</b>	<b>26,756</b>	<b>370,157</b>
Reconciliation:					
Elimination of intersegment payables					(303,962)
Corporate and other unallocated liabilities					161,744
Total liabilities					<u>227,939</u>
<b>Year ended 31 March 2016 (audited)</b>					
<b>Segment assets</b>	<b>491,086</b>	<b>91,121</b>	<b>78,969</b>	<b>859</b>	<b>662,035</b>
Reconciliation:					
Elimination of intersegment receivables					(277,195)
Investments in joint ventures					370,153
Investments in associates					22,439
Corporate and other unallocated assets					107,082
Total assets					<u>884,514</u>
<b>Segment liabilities</b>	<b>54,251</b>	<b>135,630</b>	<b>121,844</b>	<b>22,289</b>	<b>334,014</b>
Reconciliation:					
Elimination of intersegment payables					(277,195)
Corporate and other unallocated liabilities					170,133
Total liabilities					<u>226,952</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Semiconductor distribution	565,019	591,278
Consumer electronic product sales	13,888	23,873
Others	428	1,590
	<u>579,335</u>	<u>616,741</u>
<b>Other income and gains</b>		
Bank interest income	284	92
Recovery of bad debts	–	542
Dividend income from listed investments	188	46
Gain on disposal of items of property, plant and equipment	61	–
Rental income	3,060	2,670
Foreign exchange gain, net	1,250	–
Others	795	1,020
	<u>5,638</u>	<u>4,370</u>

### 5. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings	1,516	3,112
Interest on mortgage loans	164	93
Interest on finance lease	19	11
	<u>1,699</u>	<u>3,216</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2016 (unaudited)	2015 (unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,248	1,993
Amortisation of other intangible assets	511	2,037
Foreign exchange differences, net	(1,250)	7,069
Loss on disposal of available-for-sale investments	–	7,338
Impairment of trade receivables, net	1,861	1,424
Provision for amounts due from associates	9,356	–
Equity-settled share option expense	–	4,756
	<u>          </u>	<u>          </u>

### 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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	
	2016 (unaudited)	2015 (unaudited)
	HK\$'000	HK\$'000
Current tax	440	139
Deferred tax	(124)	(404)
	<u>          </u>	<u>          </u>
Total tax charge/(credit) for the period	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

### 8. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2016 and 30 September 2015. The directors do not recommend the payment of an interim dividend.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 772,944,419 (30 September 2015: 772,944,419) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The computation of diluted earnings per share for the six months ended 30 September 2015 does not assume the exercise of the Company's outstanding share options issued on 12 December 2014 as the exercise price of those options is higher than the average market price for shares for the six months ended 30 September 2015.

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

	Six months ended 30 September	
	2016 (unaudited)	2015 (unaudited)
	HK\$'000	HK\$'000

#### Earnings

Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>119,869</u>	<u>6,250</u>
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Number of shares	
	30 September 2016	30 September 2015
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	772,944,419	772,944,419
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	69,372
	<u>772,944,419</u>	<u>773,013,791</u>

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment at an aggregate cost of approximately HK\$239,000 (six months ended 30 September 2015: HK\$662,000).

### 11. TRADE RECEIVABLES

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK\$'000	HK\$'000
Trade receivables	80,492	70,466
Impairment	<u>(8,415)</u>	<u>(6,472)</u>
	<u>72,077</u>	<u>63,994</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. TRADE RECEIVABLES (Continued)

The Group's trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to over 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Company has been established to review and approve large customer credits. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

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

	<b>30 September 2016 (unaudited)</b>	31 March 2016 (audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>60,984</b>	52,288
1 to 30 days	<b>4,587</b>	3,896
31 to 60 days	<b>1,745</b>	432
Over 60 days	<b>13,176</b>	13,850
	<b>80,492</b>	70,466

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK\$'000	HK\$'000
Investment in IE Limited	<u>5,979</u>	<u>55,559</u>
Listed equity investments, at market value	6,005	12,427
Equity linked debt securities, at market value	<u>–</u>	<u>5,008</u>
	<u>6,005</u>	<u>17,435</u>
	<u><b>11,984</b></u>	<u><b>72,994</b></u>

The above equity investments with a carrying amount of HK\$6,005,000 (31 March 2016: HK\$17,435,000) at 30 September 2016 were classified as held for trading.

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

	30 September 2016 (unaudited)	31 March 2016 (audited)
	HK\$'000	HK\$'000
Trade payables	42,897	37,644
Deposits received	14,031	10,897
Accrued expenses	<u>12,527</u>	<u>14,111</u>
	<u><b>69,455</b></u>	<u><b>62,652</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES (Continued)

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

	<b>30 September 2016 (unaudited)</b>	31 March 2016 (audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>37,092</b>	29,110
1 to 30 days	<b>3,498</b>	6,381
Over 60 days	<b>2,307</b>	2,153
	<b><u>42,897</u></b>	<u>37,644</u>

The trade payables are non-interest bearing and are normally settled between 30 and 90 days. The carrying amounts of the trade payables approximate to their fair values.

### 14. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Nominal value</b>
		HK\$'000
Authorised:		
At 1 April 2015 (audited), 30 September 2015 (unaudited), 31 March 2016 (audited) and 30 September 2016 (unaudited)	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April 2015 (audited), 30 September 2015 (unaudited), 31 March 2016 (audited) and 30 September 2016 (unaudited)	<u>772,944,419</u>	<u>77,294</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

*Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)*

Financial assets	Fair value as at 30 September 2016	Fair value hierarchy	Valuation techniques and key inputs	Significant unobserved inputs	Sensitivity of fair value to the input (Note)
A convertible bond, at fair value classified as non-current assets in the condensed consolidated statement of financial position	HK\$19,425,000 (As at 31 March 2016: Nil)	Level 2	Trinomial model; the fair value is estimated based on risk free rate, share price, expected volatility of share price, conversion price and time to maturity	N/A	N/A
Key management insurance contracts, at fair value classified as available-for-sale investments in the condensed consolidated statement of financial position	HK\$20,891,000 (As at 31 March 2016: HK\$20,891,000)	Level 3	Values are estimated based on the account values less surrender charges quoted by the vendors	Account values and surrender charges	(i) 5% (31 March 2016: 5%) increase (decrease) in account values would result in increase (decrease) in fair value by HK\$1,199,000 (HK\$1,199,000) (31 March 2016: HK\$1,199,000 (HK\$1,199,000))  (ii) 5% (31 March 2016: 5%) increase (decrease) in surrender charges would result in decrease (increase) in fair value by HK\$154,000 (HK\$154,000) (31 March 2016: HK\$154,000 (HK\$154,000))
Investment in IE Limited classified as equity investments at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$5,979,000 (As at 31 March 2016: HK\$55,559,000)	Level 1	Quoted bid prices in an active market	N/A	N/A
Listed equity investments, in Hong Kong classified as equity investments at fair value through profit or loss in the condensed consolidated statement of financial position	HK\$6,005,000 (As at 31 March 2016: HK\$12,427,000)	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity linked debt securities classified as equity investments at fair value through profit or loss in the condensed consolidated statement of financial position	Nil (As at 31 March 2016: HK\$5,008,000)	Level 2	Quoted market prices from vendor	N/A	N/A

*Note:* In management's opinion, the sensitivity analysis is unrepresentative as it does not reflect the exposure during the period/year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

#### *Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)*

There were no transfer between different levels of fair value hierarchy for the six months ended 30 September 2016 and 30 September 2015.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

#### *Reconciliation of Level 3 fair value measurements of financial assets*

	HK\$'000
At 1 April 2015 (audited)	74,633
Purchases	8,182
Disposals	(31,107)
	<hr/>
At 30 September 2015 (unaudited)	51,708
Total losses recognised in other comprehensive income	(30,817)
	<hr/>
At 31 March 2016 (audited) and 30 September 2016 (unaudited)	<u>20,891</u>

#### *Fair valuation measurement and valuation processes*

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group would consider engaging independent valuer to perform the valuation on regular basis. The management of the Company works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

For the valuation of key management insurance contracts, the management of the Company estimated the expected amount based on the current available information. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim report, the Group had the following material transactions with related parties during the period:

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>Associates:</b>			
Sales of products	<i>(i)</i>	<b>714</b>	306
Purchases of products	<i>(i)</i>	<b>352</b>	209
Trademark licence income	<i>(ii)</i>	–	194
<b>Joint venture:</b>			
Purchases of products	<i>(i)</i>	<b>1,984</b>	–
<b>Related company:</b>			
Rental expense	<i>(iii)</i>	<u>–</u>	<u>311</u>

**Notes:**

- (i) The sales to associates and purchases from associates and a joint venture were made with reference to the cost of products.
- (ii) The trademark licence income from an associate was made with reference to the actual costs incurred.
- (iii) The rental expense was charged in accordance with the respective tenancy agreement. The related company is controlled by Dr. So Yuk Kwan, a director of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Compensation of key management personnel

The Group's key management personnel are the executive directors of the Company. The remuneration of key management personnel during the period is as follows:

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	6,272	5,667
Pension scheme contributions	180	117
	<u>6,452</u>	<u>5,784</u>

The remuneration of directors is determined having regard to the performance of individuals and market trends.

## BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six months ended 30 September 2016, with the comparative figures for the corresponding six months period of 2015.

	Six months ended 30 September	
	2016	2015
	HK\$'million	HK\$'million
Segment Revenue		
Semiconductor distribution	565.0	591.2
Consumer electronic product sales	13.9	23.9
Venture capital	43.3	(13.7)
Others	0.4	1.6
	<u>622.6</u>	<u>603.0</u>
Profit/(loss) before interest, tax, depreciation, amortisation and non-cash items		
Corporate	(10.4)	(12.0)
Venture capital	42.2	(16.1)
Semiconductor distribution	106.5	52.3
Consumer electronic product sales	(4.0)	(2.1)
Others	(3.8)	(8.9)
	<u>130.5</u>	<u>13.2</u>
Depreciation and amortisation		
Corporate	-	(0.1)
Venture capital	(0.2)	(0.2)
Semiconductor distribution	(1.6)	(2.8)
Consumer electronic product sales	-	-
Others	-	(0.9)
	<u>(1.8)</u>	<u>(4.0)</u>
Total depreciation and amortisation		
Profit before interest and tax	121.6	9.1
Interest expenses	(1.7)	(3.2)
Bank interest income	0.3	0.1
	<u>120.2</u>	<u>6.0</u>
Profit before tax	120.2	6.0
Income tax	(0.3)	0.3
	<u>119.9</u>	<u>6.3</u>
Profit for the period		
Profit for the period attributable to:		
Owners of the Company	119.9	6.3
Non-controlling interests	-	-
	<u>119.9</u>	<u>6.3</u>



## BUSINESS REVIEW AND PROSPECTS

### ***BUSINESS REVIEW***

Global economy steadily held up during the third quarter of 2016 with stock market slightly bounced back. China's industrial sector and general activity levels rebounded after a significant slowdown during 2015, with policymakers demonstrating a commitment to near-term stability through substantial fiscal spending on infrastructure and domestic consumptions. Having said that, China's economy expanded 6.7% in the third quarter of 2016 with slightly stronger consumer confidence as salaries continued to rise and unemployment stayed low. However, the real recovery is yet to come as the economy is still under huge pressure with growing uncertainties in the macro-environment.

During the period under review, the Group's segment revenue was HK\$622.6 million (2015: HK\$603.0 million), slightly increased by 3.3%. Among which semiconductor distribution business recorded a turnover of HK\$565.0 million (2015: HK\$591.2 million), consumer electronic product business recorded a revenue of HK\$13.9 million (2015: HK\$23.9 million), venture capital business recorded a revenue of HK\$43.3 million (2015: (HK\$13.7) million) and mobile application business recorded a revenue of HK\$0.4 million (2015: HK\$1.6 million).

### ***Semiconductor Distribution Business***

During the reviewing period, semiconductor distribution business recorded a turnover of HK\$565.0 million (2015: HK\$591.2 million). Among which Singapore remains the Group's major market contributing approximately HK\$397.1 million, followed by Korea and Hong Kong with turnover of approximately HK\$85.3 million and HK\$82.6 million respectively. Key products selling to Singapore market include memory chips and thin-film transistor liquid-crystal display. While smartphone as well as liquid-crystal display television sectors are becoming increasingly mature and the tablet sector is getting more competitive, newer technologies are likely to drive another wave of innovation that brings new opportunities to market players.

During the reviewing period, the joint venture of the Group, AVP Electronics Limited and its subsidiaries ("AVPEL Group"), recorded satisfactory results. Its turnover, though not being consolidated into the Group's condensed consolidated financial statements, recorded a 39% surge to HK\$9,682 million (2015: HK\$6,955 million). The revenue growth is mainly contributed by Samsung electronics products under distribution including multi-chip packages and CMOS images sensors. With the increase in share of profits from AVPEL Group during the reporting period, profit attributable to owners of the Company of HK\$119.9 million (2015: HK\$6.3 million) was recorded in the current period.

## BUSINESS REVIEW AND PROSPECTS

According to the preliminary results from the International Data Corporation Worldwide Quarterly Mobile Phone Tracker, vendors shipped a total of 343.3 million smartphones worldwide in the second quarter of 2016. China smartphone market grew 5.8% year-on-year and 3.6% quarter-on-quarter in the third quarter of 2016. To stand out from the keen competition in Asia, manufacturers of Chinese mobile phones have picked up their pace in terms of innovations. With numerous local brands rapidly expanding their businesses during the period under review, the industry has grown much bigger giving rooms for the healthy development of semiconductors sector. The Group believes the trend will continue for the medium run.

### *Consumer Electronic Product Business*

During the period under review, consumer electronic product business recorded a turnover of HK\$13.9 million (2015: HK\$23.9 million). With the mission to improve the quality of life of our customers, the Group is focusing on fine-tuning the product mix to include a broader spectrum of goods that accommodate all aspects of life. The Group is currently carrying a wide range of products from durable traditional household white goods, to personal gadgets, high-tech products and lifestyle goods. Among which Akai, Nakamichi and Crazybaby are the most popular and reputable brands. The Group is hoping, by leveraging its existing electronic product distribution network, to explore exciting opportunities within the consumer electronic product industry for broader income source and business sustainability.

### *Mobile Application Business*

During the period under review, the turnover for mobile application business was HK\$0.4 million (2015: HK\$1.6 million) with contributions from the steadily developing Koocell Limited (“Koocell”). After the rearrangement of business into two separate lines and entities in the prior year, namely online advertising and game development, Koocell continued to grow healthily. For game development, the Group is now focusing the resources to develop the casual games that require shorter period of time to develop than the traditional game. Also, the Group considers casual game will be a trend in game industry in the future. The first casual game developed by the Group, namely “Robo Go”, is expected to be published in market in December 2016. Also, the Group has started to develop other casual games and the next casual game, namely “Blocky Run”, is expected to be published in market in the first quarter of 2017. For online advertising, the Group is still trying to increase the market share by finding more customers who are interested in digital advertising.



## BUSINESS REVIEW AND PROSPECTS

### *Venture Capital Business*

During the period under review, the turnover for venture capital business was HK\$43.3 million (2015: (HK\$13.7) million) with the fair value gain on equity investments in the current period. As of 30 September 2016, various funds, convertible bond, equity investments and debt securities were held at fair market value of HK\$31,409,000 (31 March 2016: HK\$72,994,000) in the Group. During the period under review, as compared to same period last year, the venture capital business of the Group recorded a fair value gain on equity investments of HK\$43.1 million (2015: fair value loss of HK\$13.8 million). After the period ended 30 September 2016, the associate of the Group, Me2on Co., Ltd. ("Me2on"), which is a mobile games developer and publisher headquartered in Korea and is 14.3% owned by the Group, was successfully listed on the Korea Securities Dealers Automated Quotations of the Korean Exchange on 10 October 2016. The management considers the listing of Me2on is a good opportunity to increase the business in venture capital segment. The management cautiously monitor the venture capital business by reference to the world financial markets. Although global economy is volatile with uncertainties ahead, the Group will strive for satisfactory results for its venture capital business.

### *Prospects*

Growth momentum in 2016 is expected to be uneven with considerable downside risks and certain headwinds in the external environment are likely to persist into 2017, the Group is cautiously optimistic about the business and industry outlook.

Current growth in electronics production is the main driver of the global semiconductor industry. Among which, China has been one of the largest and fastest growing markets for semiconductors for the past 10 years and will continue in the near-term. Steadily growing demand for smartphones, tablets, digital televisions, wireless communication infrastructure, and computers is continuously stimulating global demand for semiconductors. Together with the internet boom, the Group is confident in maintaining healthy growth in semiconductor distribution business segment.

And given China is now one of the world's largest smartphone markets, it has come to characterise the way users interact with the world around them. As a truly personal device with its always-on nature, it offers unique opportunities for businesses of all sizes to connect with prospects and consumers in every possible way. After the business realignment of Koozell in the prior year, the Group has been focusing resources on digital advertising and game development to seize the unprecedented opportunities. With the goal of launching two games per year and continuing invest in digital advertising, the Group is working hard on making mobile application business to be another important income driver in the coming years by further enriching games content, gamers' experience and engagement as well as scaling up its targeted mobile advertising.

## BUSINESS REVIEW AND PROSPECTS

Whereas for consumer electronic products, the growing convergence of information, communication and entertainment is bringing a new era of consumer electronics industry across the world. With increasing household income as well as more active launching of innovative technological products and rising awareness of quality living, the prospect of global consumer electronic products market remains positive. The Group is continuously working on broadening the product category with focus on lifestyle products and high-tech gadgets to capture the latest market trend.

In view of the continued success of the Group's business as a comprehensive distributor for semiconductors, consumer electronic products and mobile applications, the Group will, by leveraging its leading position, goodwill and competitive advantage, continue adopting prudent development strategies for achieving sustainable growth and bringing satisfactory returns to shareholders.

### LIQUIDITY AND FINANCIAL RESOURCES

The total debt position as at 30 September 2016 and 31 March 2016 and the corresponding gearing ratio are shown as follows:

	<b>30 September 2016</b>	31 March 2016
	<b>HK\$'million</b>	HK\$'million
Cash and cash equivalents	<b>190.5</b>	69.6
Equity investments at fair value through profit or loss	<b>12.0</b>	73.0
Cash and cash equivalents and equity investments	<b>202.5</b>	142.6
Borrowings and finance lease payables	<b>131.7</b>	137.2
Total equity	<b>778.1</b>	657.6
Total debt to total equity	<b>17%</b>	21%

As at 30 September 2016, the Group had cash and cash equivalents (i.e., cash and bank balances, deposits with other financial institution and unpledged time deposits) of HK\$190.5 million (31 March 2016: HK\$69.6 million), while the Group's equity investments at fair value through profit or loss amounted to HK\$12.0 million (31 March 2016: HK\$73.0 million). The equity investments 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 2016 was 17% (31 March 2016: 21%), while the Group's total equity as at 30 September 2016 was HK\$778.1 million (31 March 2016: HK\$657.6 million), with the total balances of cash and cash equivalents and equity investments as at 30 September 2016 of HK\$202.5 million (31 March 2016: HK\$142.6 million).

## BUSINESS REVIEW AND PROSPECTS

### *LIQUIDITY AND FINANCIAL RESOURCES (Continued)*

The working capital position of the Group remains healthy. As at 30 September 2016, the liquidity ratio was 186% (31 March 2016: 147%).

	<b>30 September 2016</b>	31 March 2016
	<b>HK\$'million</b>	HK\$'million
Current assets	<b>380.6</b>	298.2
Current liabilities	<b>(205.2)</b>	(203.5)
Net current assets	<b>175.4</b>	94.7
Current assets to current liabilities (%)	<b>186%</b>	147%

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.

### *INTERIM DIVIDEND*

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: Nil).

### *EMPLOYEES*

As at 30 September 2016, the Group employed a total of approximately 176 (31 March 2016: approximately 192) 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.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2016, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

### Long position in the shares of the Company

#### (a) Interests in shares of the Company

Name of Director and chief executive	Nature of capacity	Number of ordinary shares of the Company	Approximate percentage of shareholding
Dr. So Yuk Kwan ("Dr. So")	Corporate interest	241,196,189	33.48%
	Beneficial owner	17,576,000 (Note 1)	
Dr. Lui Ming Wah ("Dr. Lui"), SBS, JP	Beneficial owner	5,100,000	0.66%
	Interest of spouse	(Note 2)	

#### Notes:

- These shares include (i) 160,556,300 shares of the Company held by B.K.S. Company Limited ("BKS"); (ii) 80,639,889 shares of the Company held by Jade Concept Limited ("Jade Concept"); and (iii) 17,576,000 shares of the Company held by Dr. So as beneficial owner. Dr. So is deemed to be interested in 241,196,189 shares of the Company by virtue of his interests in BKS and Jade Concept, the particulars are more fully described in the section headed "Interests of Substantial Shareholders" below.
- This represents the total number of shares held by the spouse of Dr. Lui, SBS, JP. By virtue of the SFO, Dr. Lui, SBS, JP is deemed to be interested in 5,100,000 shares of the Company.

(b) Interests in underlying shares of the Company

Name of Director and chief executive	Nature of interest and capacity	Number of ordinary shares of the Company	Approximate percentage of interest in the Company
Dr. So	Beneficial owner	600,000 (Note)	0.08%

Note:

These underlying shares in the Company represent interests in the share options granted to Dr. So pursuant to the share option scheme adopted by the Company.

(c) Interests in underlying shares of associated corporations of the Company

Name of Director and chief executive	Nature of interest and capacity	Name of associated corporations	Number of ordinary shares of associated corporations	Approximate percentage of interest in associated corporations
Mr. So Chi Sun Sunny ("Mr. Sunny So")	Beneficial owner	Koocell Limited	220,000 (Note)	30.98%

Note:

The underlying shares in Koocell Limited ("Koocell"), a subsidiary of the Company, represent interest in the share options granted to Mr. Sunny So pursuant to the share option scheme adopted by Koocell.

The interests of the directors in share options of the Company and a subsidiary of the Company are separately disclosed in the section headed "Share Option Schemes" below.

Save as disclosed above, as at 30 September 2016, none of the directors and chief executive of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company, pursuant to the Model Code.

## SHARE OPTION SCHEMES

### Share option scheme adopted by the Company

As at 30 September 2016, options to subscribe for shares of the Company which were granted to the director and employees of the Group were as follows:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	Exercise price of share options	
	Balance at 1 April 2016	Granted during the period	Lapsed during the period	Exercised during the period	Cancelled during the period	Expired during the period				At 30 September 2016
<b>Director</b>										
Dr. So	600,000	-	-	-	-	-	600,000	13/3/2013	13/3/2013 – 12/3/2018	HK\$0.435
<b>Employees</b>										
In aggregate	7,110,000	-	-	-	-	-	7,110,000	12/12/2014	12/12/2014 – 11/12/2016	HK\$0.519
<b>Total</b>	<u>7,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,710,000</u>			

### Share option scheme adopted by a subsidiary

As at 30 September 2016, options to subscribe for shares of Koocell, a subsidiary of the Company, which were granted to the director of the Company and Koocell and employees of Koocell were as follows:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	Exercise price of share options	
	Balance at 1 April 2016	Granted during the period	Lapsed during the period	Exercised during the period	Cancelled during the period	Expired during the period				At 30 September 2016
<b>Director of the Company and Koocell</b>										
Mr. Sunny So	220,000	-	-	-	-	-	220,000	5/8/2013	6/9/2015 – 5/8/2023	HK\$8.0
<b>Employees of Koocell</b>										
	45,000	-	-	-	-	-	45,000	5/8/2013	6/9/2015 – 5/8/2023	HK\$8.0
<b>Total</b>	<u>265,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,000</u>			

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" and "Share Option Schemes" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, the following substantial shareholders (other than the directors and chief executive of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### Long position in the shares of the Company

Name of shareholder	Nature of capacity	Number of shares held	Approximate percentage of interest in the issued shares
BKS	Beneficial owner	160,556,300 (Note 1)	20.77%
Jade Concept	Beneficial owner	80,639,889 (Note 2)	10.43%
Koh Business Groups Pte. Ltd.	Beneficial owner	61,836,000	8.00%
Madam Yeung Kit Ling ("Madam Yeung")	Interest of spouse	259,372,189 (Note 3)	33.56%

#### Notes:

1. BKS is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 160,556,300 shares of the Company held by BKS.
2. Jade Concept is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 80,639,889 shares of the Company held by Jade Concept.
3. As Madam Yeung is the spouse of Dr. So, by virtue of the SFO, she is deemed to be interested in the shares of the Company held by BKS and Jade Concept in which Dr. So has interest and 17,576,000 shares and 600,000 share options of the Company held by Dr. So.

Save as disclosed above, as at 30 September 2016, the Company has not been notified by any person or corporation (other than the directors and chief executive of the Company whose interests are set out above) having interests in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under section 336 of the SFO.



## ***PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES***

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## ***COMPLIANCE WITH CORPORATE GOVERNANCE CODE***

In the opinion of the Board of Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2016.

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

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2016.

## ***AUDIT COMMITTEE***

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles E. Chapman and Mr. Wong Ka Kit. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed financial reporting process and internal control matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2016.

By Order of the Board  
**AV CONCEPT HOLDINGS LIMITED**  
**So Yuk Kwan**  
*Chairman*

Hong Kong, 28 November 2016

*As at the date of this report, the Board comprises four executive Directors, Dr. So Yuk Kwan (Chairman), Mr. So Chi On, 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 E. Chapman and Mr. Wong Ka Kit.*