



AV PROMOTIONS HOLDINGS LIMITED

AV 策劃推廣(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8419

Third Quarterly Report

2019



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors (the “**Directors**”) of AV Promotions Holdings Limited (the “**Company**”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (together the “**Group**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Man Por (*Chairman*)
Mr. Wong Hon Po
Mr. Wong Chi Bor
Ms. Fu Bun Bun

Independent Non-Executive Directors

Mr. Chen Yeung Tak
Mr. Cheung Wai Lun Jacky
Mr. Chan Wing Kee

AUDIT COMMITTEE

Mr. Chen Yeung Tak (*Chairman*)
Mr. Cheung Wai Lun Jacky
Mr. Chan Wing Kee

REMUNERATION COMMITTEE

Mr. Chan Wing Kee (*Chairman*)
Mr. Chen Yeung Tak
Mr. Wong Hon Po

NOMINATION COMMITTEE

Mr. Wong Man Por (*Chairman*)
Mr. Chan Wing Kee
Mr. Cheung Wai Lun Jacky

AUTHORISED REPRESENTATIVES

Mr. Wong Man Por
Mr. Leung Kai Hang

COMPLIANCE OFFICER

Mr. Wong Man Por

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Shing Dao Industrial Building
232 Aberdeen Main Road, Aberdeen
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

COMPLIANCE ADVISER

Halcyon Capital Limited
11th Floor, 8 Wyndham Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central
Hong Kong

COMPANY SECRETARY

Mr. Leung Kai Hang

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

COMPANY'S WEBSITE

www.avpromotions.com

STOCK CODE

8419

LEGAL ADVISER

Cheung and Choy
Suites 3804-05, 38/F.,
Central Plaza
18 Harcourt Road,
Wan Chai, Hong Kong

PRINCIPAL BANKERS

United Overseas Bank Limited
23rd Floor, 3 Garden Road Central, Hong Kong

Fubon Bank (Hong Kong) Limited
Fubon Bank Building, 38 Des Voeux Road Central,
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road, Hong Kong

FINANCIAL HIGHLIGHTS

- The revenue of the Group was approximately HK\$41.7 million and HK\$139.8 million for the three and nine months ended 30 September 2019 respectively.
- Profit attributable to owners of the Company amounted to approximately HK\$10.8 million and HK\$15.0 million for the three and nine months ended 30 September 2019 respectively.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	41,711	94,754	139,847	187,969
Cost of services	4	(22,562)	(68,763)	(91,817)	(138,771)
Gross profit		19,149	25,991	48,030	49,198
Other (loss) gains, net		(249)	334	232	72
Selling expenses	4	(391)	(953)	(3,011)	(3,486)
Administrative expenses	4	(5,659)	(8,707)	(23,013)	(23,169)
Operating profit		12,850	16,665	22,238	22,615
Finance income	5	7	69	33	208
Finance expenses	5	(1,615)	(1,710)	(4,005)	(4,377)
Finance expenses – net		(1,608)	(1,641)	(3,972)	(4,169)
Profit before income tax		11,242	15,024	18,266	18,446
Income tax expenses	6	(401)	(3,099)	(3,262)	(4,365)
Profit for the period attributable to owners of the Company		10,841	11,925	15,004	14,081
Basic and diluted earnings per share for profit attributable to owners of the Company (HK cents)	8	2.71	2.98	3.75	3.52

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period	10,841	11,925	15,004	14,081
Other comprehensive loss: <i>Item that may be reclassified to profit or loss</i>				
Currency translation differences	(2,101)	(1,787)	(3,493)	(2,613)
Total comprehensive income for the period attributable to owners of the Company	8,740	10,138	11,511	11,468

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share capital	Share Premium	Exchange reserve	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2018 (Audited)	4,000	41,901	202	5,314	29,166	80,583	-	80,583
Comprehensive income								
Loss for the period	-	-	-	-	14,081	14,081	-	14,081
Other comprehensive expenses								
Currency translation differences	-	-	(2,613)	-	-	(2,613)	-	(2,613)
Total comprehensive (expenses)/income for the period	-	-	(2,613)	-	14,081	11,468	-	11,468
As at 30 September 2018 (Unaudited)	4,000	41,901	(2,411)	5,314	43,247	92,051	-	92,051
As at 1 January 2019 (Audited)	4,000	41,901	(2,118)	5,314	50,811	99,908	(8)	99,900
Comprehensive income								
Profit for the period	-	-	-	-	15,004	15,004	-	15,004
Other comprehensive expenses								
Currency translation differences	-	-	(3,493)	-	-	(3,493)	-	(3,493)
Total comprehensive (expense)/income for the period	-	-	(3,493)	-	15,004	11,511	-	11,511
Transactions with owners of the Company								
Deregistration of a subsidiary	-	-	-	-	-	-	8	8
As at 30 September 2019 (Unaudited)	4,000	41,901	(5,611)	5,314	65,815	111,419	-	111,419

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of visual, lighting and audio solution services in Hong Kong, the People Republic of China ("PRC") and Macau (the "Business"). The ultimate holding company of the Company is Jumbo Fame Company Limited ("Jumbo Fame") incorporated in the British Virgin Islands ("BVI"). The ultimate controlling party of the Group is Mr. Wong Man Por ("Mr. MP Wong").

The shares of the Company have been listed on the GEM of the Stock Exchange Hong Kong Limited since 21 December 2017.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

2. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Basis of preparation

The unaudited condensed consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules.

The unaudited condensed consolidated financial statements does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the Reporting Period.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising the Group are eliminated on combination.

2. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Basis of preparation (Continued)

The unaudited condensed consolidated financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2018 except the adoption of the following new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations which are effective for accounting periods commencing on or after 1 January 2019.

(b) New and amended standards adopted by the Group

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycles

Except as described below, the application of the new and amendments to HKFRSs in the current period had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate. Lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position.

2. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) *New and amended standards adopted by the Group (Continued)*

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. After reviewing the leases, there is no change on the opening balance of retained earnings and equity at the date of initial application of HKFRS 16.

(c) *New standards and interpretations not yet adopted by the Group*

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	<i>Note</i>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	21 January 2021

Note: Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3. REVENUE AND SEGMENT INFORMATION

(a) *Revenue*

Revenue from the provision of visual, lighting and audio solution services is recognised at the point over time when the services have been rendered. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts and value added taxes and is analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from services	41,711	94,754	139,847	187,969

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information

The board of directors has been identified as the chief operating decision makers.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Group provides visual, lighting and audio solution services. The resources are allocated based on what is most beneficial to the Group in enhancing the value as a whole, instead of any specific unit.

The Group's chief operating decision makers consider that the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Accordingly, the management considers there is only one operating segment.

Revenue based on the geographic location that the Group derives revenue from customers as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong	21,388	35,317	52,004	75,337
The PRC	16,437	56,856	77,744	103,403
Macau	3,886	2,581	10,099	9,229
	41,711	94,754	139,847	187,969

4. EXPENSES BY NATURE

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Material cost of consumables	3,100	12,977	10,275	17,331
Freight expenses	852	1,841	3,657	4,452
Equipment rental cost	1,629	30,553	28,126	60,857
Travel expenses	863	3,369	4,699	6,727
Depreciation of property, plant and equipment	3,520	3,513	10,822	10,312
Depreciation of right-of-use assets	1,236	–	3,730	–
Auditors' remuneration	312	417	937	1,029
Operating lease payments which are not included in leases liabilities	2,977	1,203	4,527	4,019
Employee benefit expenses	13,111	22,828	46,039	54,282
Entertainment expenses	279	135	882	644
Motor vehicle expenses	142	88	476	341
Other expenses	591	1,499	3,671	5,432
Total cost of service, selling expenses and administrative expenses	28,612	78,423	117,841	165,426

5. FINANCE EXPENSES – NET

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income				
– Bank interest income	7	69	33	208
Finance income	7	69	33	208
Interest expenses				
– Lease liabilities	(154)	–	(511)	–
– Finance leases	(4)	(2)	(6)	(7)
– Borrowings	(1,457)	(1,708)	(3,488)	(4,370)
Finance expenses	(1,615)	(1,710)	(4,005)	(4,377)
Finance expenses – net	(1,608)	(1,641)	(3,972)	(4,169)

6. INCOME TAX EXPENSES

Pursuant to the enactment of two-tiered profit tax rates issued by the Inland Revenue Department ("IRD") of Hong Kong from the year of assessment 2018/19 onwards, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax for the three and nine months ended 30 September 2019 is subject to a tax rate of 8.25%, while the remaining assessable profits are subject to a tax rate of 16.5%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits for the three and nine months ended 30 September 2018.

PRC Enterprise Income Tax has been provided at the rate of 25% on the estimated assessable profits for the three and nine months ended 30 September 2019 and 2018.

Macau complementary tax has been provided at the rate of 12% on the estimated assessable income exceeding MOP600,000 for the three and nine months ended 30 September 2019 and 2018.

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The PRC & Macau				
– Current income tax	2,004	2,949	4,694	3,848
– Over-provision for prior years	(507)	–	(507)	–
	1,497	2,949	4,187	3,848
Deferred income tax	(1,096)	150	(925)	517
Income tax expenses	401	3,099	3,262	4,365

7. DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

8. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the respective periods.

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	10,841	11,925	15,004	14,081
Weighted average number of shares in issue (thousands shares)	400,000	400,000	400,000	400,000
Basic earnings per share (HK cents)	2.71	2.98	3.75	3.52

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary share outstanding as at 30 September 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, global economic growth and international trade growth slowed down, and China's economic operation also faced downward pressure, but the level of economic growth remained within a reasonable range, continuing an overall stable, steady and progressive development trend.

The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau. The Group derived its revenue from the provision of the aforesaid services to exhibition, ceremony, conference, concert, TV show, product launch and other types of events.

During the Reporting Period, we participated in visual, lighting and audio projects including but not limited to (i) various large scale auto shows in the PRC; (ii) luxury brand product launch; (iii) opening ceremony of new broadcast media in Hong Kong; (iv) Hong Kong International Film & TV Market; (v) Asian Financial Forum; and (vi) beauty contest.

The Group will continue to strengthen the management's governance and open up more opportunities for our expansion, ultimately benefiting the shareholders with generous returns. To increase competitive edge of the Group over its competitors and to control the Group's overall costs to a reasonable level, the Group will unite its efforts to carefully evaluate each project, and to strive for increase in returns. The Board will also proactively seek for potential business opportunities in other segments of the live events industry e.g. content distributors and production specialists, and to widen the geographical coverage of the Group so as to broaden the sources of income and enhance value to its shareholders.

FINANCIAL REVIEW

Revenue

Our revenue decreased from HK\$187.9 million for the nine months ended 30 September 2018 to approximately HK\$139.8 million during the Reporting Period, representing a decrease of approximately 25.6%. The decrease in revenue is mainly because the number of the events held in Hong Kong dropped during the third quarter of 2019.

Revenue analysis by geographical location

The following table sets out the revenue of the Group by geographical location during the three and nine months ended 30 September 2019 with comparative figures for the corresponding periods in 2018.

	Three months ended 30 September				Nine months ended 30 September			
	2019 HK\$'000 (Unaudited)	% of the Group's total revenue	2018 HK\$'000 (Unaudited)	% of the Group's total revenue	2019 HK\$'000 (Unaudited)	% of the Group's total revenue	2018 HK\$'000 (Audited)	% of the Group's total revenue
The PRC	16,437	39.4	56,856	60.0	77,744	55.6	103,403	55.0
Hong Kong	21,388	51.3	35,317	37.3	52,004	37.2	75,337	40.1
Macau	3,886	9.3	2,581	2.7	10,099	7.2	9,229	4.9
	41,711	100.0	94,754	100.0	139,847	100.0	187,969	100.0

Cost of services

Our cost of services mainly comprised of equipment rental cost, depreciation of visual and display equipment, employee benefit expenses paid to front line on-site technical staff, material cost of consumables and freight expenses of equipment delivery. The Group's cost of services decreased by approximately 33.8% from HK\$138.8 million for the nine months ended 30 September 2018 to approximately HK\$91.8 million for the six months ended 30 September 2019, which was in line with decrease in revenue during the Reporting Period.

Gross profit and gross profit margin

The gross profit of the Group for the nine months ended 30 September 2019 amounted to approximately HK\$48.0 million (2018: HK\$49.2 million), representing gross profit margin of approximately 34.3% (2018: 26.2%). Although the revenue decreased during the Reporting Period, the increase in gross profit margin was caused by (i) the increase in profit margin on the Group's equipment rental service due to a better combination of our services with higher profit margins; and (ii) decrease in rental of equipment cost and transportation cost due to a major event held in Shanghai in 2019 instead of that held in Beijing in 2018.

Selling expenses

Selling expenses mainly comprised of staff cost of our Group's sales and marketing department, entertainment expense in association with business solicitation, advertising expenses and travel expenses of our sales department. The Group's selling expenses decreased by approximately 13.6% from approximately HK\$3.5 million for the nine months ended 30 September 2018 to approximately HK\$3.3 million for the nine months ended 30 September 2019.

Administrative expenses

The administrative expenses of the Group mainly included administrative staff costs, rent and rate and other sundry expenses. The Group's administrative expenses decreased by approximately 0.7% from HK\$23.2 million for the nine months ended 30 September 2018 to approximately HK\$23.0 million for the nine months ended 30 September 2019, primarily due to the decrease in administrative staff cost of approximately HK\$0.2 million.

Finance expenses – net

The net finance expenses of the Group mainly consisted of interests on bank borrowings (which were wholly repayable within two years), loan from a third party and finance leases and interest income from daily bank balance and deposit. The Group's net finance expenses decreased by approximately 4.7% from HK\$4.2 million for the nine months ended 30 September 2018 to approximately HK\$4.0 million for the nine months ended 30 September 2019, which was mainly due to the decrease in the interest rate on the bank borrowings.

Income tax expenses

The Group is subject to income tax on an enterprise basis, based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated in.

For the nine months ended 30 September 2018 and 2019, our income tax expenses were approximately HK\$4.4 million and HK\$3.3 million respectively.

Profit for the period

The Group's profit attributable to owners of the Company was approximately HK\$15.0 million for the nine months ended 30 September 2019 as compared to the profit of approximately HK\$14.1 million for the nine months ended 30 September 2018.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's revenue and costs are primarily denominated in Hong Kong dollars and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group had not engaged in any derivatives agreements nor any financial instrument to hedge its foreign exchange exposure during the nine months ended 30 September 2019.

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 September 2019.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2019 and 31 December 2018.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

EVENTS AFTER THE REPORTING PERIOD

As from 30 September 2019 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of its subsidiaries during the Reporting Period.

DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's securities for the Reporting Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions during the Reporting Period.

DISCLOSURE OF DIRECTORS' INTERESTS

(a) Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 September 2019, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares (Note 1)	Percentage of shareholding
Mr. MP Wong (Notes 2 & 3)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	290,000,000 (L)	72.5%
Mr. CB Wong	Interest of spouse (Note 4)	2,700,000 (L)	0.68%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- The 290,000,000 Shares are held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by Trident Trust Company (HK) Limited ("**Trustee**") acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Ms. Kong Suet Yau ("**Mrs. Wong**") (the Spouse of Mr. MP Wong), Mr. Wong Hin Hang (the son of Mr. MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to a trust deed dated 10 April 2017 entered into by Mr. MP Wong as the settlor and the appointer and by the Trustee as the trustee ("**Trust Deed**"). Mr. MP Wong as settlor, appointer and a beneficiary of The WMPE Family 2017 Trust is deemed or taken to be interested in the 290,000,000 Shares held by Mega King.
- Mr. MP Wong is the founder of our Group, an executive Director and the chairman of our Company. Mr. MP Wong is the sole director of Mega King and therefore Mr. MP Wong is deemed or taken to be interested in the entire issued share of Mega King and the 290,000,000 Shares beneficially owned by Mega King.
- Mr. Wong Chi Bor ("**Mr. CB Wong**") is the spouse of Ms. Yau Lai Ling ("**Ms. Yau**") who holds 2,700,000 Shares of the Company. Mr. CB Wong being the spouse of Ms. Yau is deemed to be interested in the 2,700,000 Shares held by Ms. Yau.

(ii) **Long position in the shares of associated corporations**

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of Shares (Note 1)	Percentage of shareholding
Mr. MP Wong (Note 1)	Mega King	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	1	100%
Mr. MP Wong (Note 1)	Jumbo Fame	Founder and beneficiary of a discretionary trust	100	100%

Note:

1. Mr. MP Wong is the founder of our Group, an executive Director and the chairman of our Company. Mr. MP Wong is the sole director of Mega King and therefore Mr. MP Wong is deemed or taken to be interested in the entire issued share of Mega King. Mr. MP Wong as settlor, appointer and a beneficiary of The WMPE Family 2017 Trust is deemed or taken to be interested in the entire issued shares of Jumbo Fame. Mr. MP Wong is also one of the directors of Jumbo Fame.

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests or short positions in Shares or underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of shareholder	Capacity/Nature of Interest	Number of Shares held/Interested (Note 1)	Percentage of shareholding
Mega King (Note 2)	Beneficial owner	290,000,000 (L)	72.5%
Jumbo Fame (Note 2)	Interest of controlled corporation	290,000,000 (L)	72.5%
Trustee (Note 2)	Trustee	290,000,000 (L)	72.5%
Mrs. Wong (Note 3)	Interest of spouse	290,000,000 (L)	72.5%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- The 290,000,000 Shares are held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by the Trustee acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Mrs. Wong, Mr. Wong Hin Hang (the son of Mr. MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the Trust Deed. By virtue of the SFO, each of Jumbo Fame and the Trustee is deemed to be interested in all the Shares held by Mega King.
- Mrs. Wong is the spouse of Mr. MP Wong and is deemed or taken to be interested in all the Shares held by Mega King for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Board is responsible for performing corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company’s policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company’s compliance with the principles and applicable code provisions in the CG Code and disclosures in this report.

Throughout the Reporting Period, the Company has complied, to the extent applicable and permissible with the principles and applicable code provisions of the CG Code, except the following deviation:

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Chan Wing Kee (being the independent non-executive Director at the relevant time) was unable to attend the annual general meeting of the Company held on 24 June 2019 as he was obliged to be away for his business matter.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and the public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (<http://www.avpromotions.com>) has provided an effective communication platform to the public and its shareholders.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 1 December 2017 (the “**Share Option Scheme**”). The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 September 2019.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 September 2019, neither Halcyon Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates had any interests in the securities of the Company or any other companies in the Group (including option or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to the agreement entered between Halcyon Capital Limited and the Company, Halcyon Capital Limited received and will continue to receive fees for acting as the Company's compliance adviser.

AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee consists of three members, namely Mr. Chen Yeung Tak, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee, all being independent non-executive Directors. Mr. Chen Yeung Tak currently serves as the chairman of the audit committee.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
AV Promotions Holdings Limited
Wong Man Por
Chairman

Hong Kong, 8 November 2019

As at the date of this report, the Board comprises (i) four executive Directors, namely, Mr. Wong Man Por (Chairperson), Mr. Wong Hon Po, Mr. Wong Chi Bor and Ms. Fu Bun Bun and (ii) three independent non-executive Directors, namely, Mr. Chen Yeung Tak, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee.