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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of AV Promotions Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

FINANCIAL HIGHLIGHTS

The Group has recorded revenue of approximately HK$203.8 million for the year ended 31 December 2019, representing a decrease of approximately HK$34.6 million or approximately 14.5% as compared with the year ended 31 December 2018.

The gross profit of the Group was approximately HK$71.4 million for the year ended 31 December 2019, representing a decrease of approximately 1.7% from approximately HK$72.6 million for the year ended 31 December 2018.

The Group's net profit was approximately HK$24.5 million for the year ended 31 December 2019, representing an increase of approximately HK$2.9 million as compared with corresponding period in 2018. The increase in net profit was primarily due to the increase in the overall gross profit margin of the Group's services due to a better mixture of our services with higher profit margins.

The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**203,817**	238,442
Cost of services		**(132,452)**	(165,821)
Gross profit		**71,365**	72,621
Other income	*5*	**998**	–
Other losses, net		**(42)**	(691)
Selling expenses		**(3,882)**	(4,117)
Administrative expenses		**(30,135)**	(34,903)
Operating profit		**38,304**	32,910
Finance income		**541**	255
Finance expenses		**(5,842)**	(5,608)
Finance expenses – net		**(5,301)**	(5,353)
Profit before income tax		**33,003**	27,557
Income tax expenses	*6*	**(8,479)**	(5,920)
Profit for the year		**24,524**	21,637
Profit for the year is attributable to:			
Owners of the Company		**24,516**	21,645
Non-controlling interests		**8**	(8)
		24,524	21,637
Basic and diluted earnings per share for profit attributable to owners of the Company (HK cents)	*8*	**6.1**	5.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Profit for the year	**24,524**	21,637
Other comprehensive loss:		
Item that may be reclassified to profit or loss		
Currency translation differences	**(2,831)**	(2,320)
Total comprehensive income for the year	**21,693**	19,317
Total comprehensive income for the year is attributable to:		
Owners of the Company	**21,685**	19,325
Non-controlling interests	**8**	(8)
	21,693	19,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**92,799**	94,020
Right-of-use assets		**13,773**	–
Pledged time deposits		**10,000**	44,000
Prepayments and deposits		**648**	1,475
		117,220	139,495
Current assets			
Trade receivables	*9*	**87,659**	68,978
Contract assets		**889**	584
Prepayments, deposits and other receivables		**8,701**	8,247
Pledged time deposits		**51,101**	–
Cash and cash equivalents		**37,754**	19,325
		186,104	97,134
Total assets		**303,324**	236,629
EQUITY			
Share capital		**4,000**	4,000
Share premium		**41,901**	41,901
Exchange reserve		**(4,949)**	(2,118)
Other reserves		**5,314**	5,314
Retained earnings		**75,327**	50,811
Capital and reserves attributable to owner of the Company		**121,593**	99,908
Non-controlling interests		**–**	(8)
Total equity		**121,593**	99,900

		As at 31 December	
		2019	2018
	Note	**HK$'000**	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,260**	10,408
Borrowings		**29,000**	47,419
Lease liabilities		**5,466**	–
		44,726	57,827
Current liabilities			
Trade and bills payables	*10*	**37,576**	51,209
Accruals and other payables		**11,433**	7,779
Borrowings		**70,789**	11,449
Lease liabilities		**4,829**	–
Deferred income tax liabilities		**1,585**	1,619
Current income tax liabilities		**10,793**	6,846
		137,005	78,902
Total liabilities		**181,731**	136,729
Total equity and liabilities		**303,324**	236,629

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 PRC and Macau (the "**Business**"). The ultimate holding company of the Company is Jumbo Fame Company Limited 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 were listed on the GEM of The Stock Exchange of Hong Kong Limited on 21 December 2017.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Group's assessment of the impact of these new standards and interpretations is set out below.

		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	1 January 2020
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	1 January 2021
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 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 lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.04%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitment disclosed as at 31 December 2018	17,191
Discounted using the lessee's incremental borrowing rate at the date of initial application	15,144
(Less): short-term leases not recognised as a liability	(501)
	14,643
Lease liabilities recognised as at 1 January 2019	
Of which are:	
Current lease liabilities	2,405
Non-current lease liabilities	12,238
	14,643

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- property, plant and equipment – decrease by HK$413,000
- right-of-use assets – increase by HK$18,401,000
- prepayments – decrease by HK$3,345,000
- lease liabilities – increase by HK$14,643,000.

4. REVENUE AND SEGMENT INFORMATION

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.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue from services	**203,817**	238,442

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 geographical location that the Group derives revenue from customers as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
The PRC	**118,780**	122,237
Hong Kong	**72,512**	100,923
Macau	**12,525**	15,282
	203,817	238,442

Information about major customers

For the year ended 31 December 2019, there was 1 customer (2018: 1 customer) which individually contributed over 10% of the Group's total revenue. Revenue contributed from this customer is as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Customer A	**50,228**	53,724

5. OTHER INCOME

Other income represents one-off government grants received from the PRC government in subsidising the Group's unemployment insurance payment and tax payment during the year ended 31 December 2019.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Government grants	**998**	–

There are no unfulfilled conditions or other contingencies attaching to the government grants.

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 years ended 31 December 2019 and 2018 is subject to a tax rate of 8.25%, while the remaining assessable profits are subject to a tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits for the year ended 31 December 2019.

Macau complementary tax has been provided at the rate of 12% (2018: 12%) on the estimated assessable income exceeding MOP600,000 (2018: MOP600,000) during the year ended 31 December 2019.

The amounts of taxation charged to consolidated income statement represents:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong	**527**	773
– The PRC	**8,104**	3,618
– Macau	**–**	–
	8,631	4,391
(Over)/under provision in prior years		
– Hong Kong	**(4)**	(135)
– The PRC	**34**	39
– Macau	**–**	–
	30	(96)
Deferred income tax	**(182)**	1,625
Income tax expenses	**8,479**	5,920

7. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (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 financial year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (HK$'000)	**24,516**	21,645
Weighted average number of shares in issue (thousands shares)	**400,000**	400,000
Basic earnings per share (HK cents)	**6.1**	5.4

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 December 2019 and 2018.

9. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**87,659**	68,978
Less: Loss allowance	**–**	–
Trade receivables, net of provision	**87,659**	68,978

The carrying amounts of trade receivables are approximate to their fair values.

The Group's trade receivables are with credit terms ranging from 0-90 days. The ageing analysis of trade receivables, net of provision, based on invoice date, is as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current	**56,338**	30,494
0 to 3 months	**20,265**	28,696
3 to 6 months	**9,615**	6,754
Over 6 months	**1,441**	3,034
	87,659	68,978

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the days past due.

The trade receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of receivables mentioned above. The Group does not hold any collateral as security.

10. TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade and bills payables	**37,576**	51,209

As at 31 December 2019 and 2018, the Group's ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Up to 3 months	**33,177**	46,187
3 to 6 months	**543**	1,895
Over 6 months	**3,856**	3,127
	37,576	51,209

11. SUBSEQUENT EVENTS

Following the outbreak of Novel Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented globally. The Group have assessed that as a result of the COVID-19 outbreak, it may have the following possible impact to the Group:

- progress of the Group's projects in Hong Kong, the PRC and Macau were delayed temporarily in the first quarter of 2020 because of the postponement of work resumption after the Chinese New Year holiday, which may in turn affect the operating results of the Group for the first half of 2020; and

- the temporary slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers of the Group, and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets.

Up to the date of this announcement, the impact of the COVID-19 outbreak on the Group's financial performance and the macro-economic conditions as a whole remains uncertain, and the Group is unable to quantify the related financial effects. The Group will continue to monitor and assess the development of the COVID-19 outbreak, and to evaluate its financial impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau. During the year ended 31 December 2019, we participated in aggregate over 1,300 visual, lighting and audio projects, including but not limited to (i) various large scale auto shows in over 20 locations in the PRC; (ii) certain events for celebrating the 22^{nd} anniversary of the establishment of Hong Kong Special Administrative Region; (iii) certain events for celebration of the National Day of the PRC; (iv) Hong Kong's E-sports and Music Festival and China Esports Carnival; (v) Macau Light Festival; (vi) conferences related to "One Belt, One Road", Asian Financial Forum, Internet Economy Summit and Global Tourism Economy Forum; (vii) luxury product launch; (viii) opening ceremony of new broadcast media in Hong Kong and (ix) beauty contest in Hong Kong.

The Group derived approximately 60.9% of its total revenue during the year ended 31 December 2019 from exhibitions (2018: 53.4%), the majority of which took place in Hong Kong and the PRC. The remainder of the Group's revenue was attributable to other events, including ceremonies, conferences, concerts, TV shows, product launches and others types of events.

The net proceeds raised from the Share Offer have strengthened the Group's cash flow and the Group's ability to implement its business strategies, which include (i) the acquisition of advanced visual, lighting and audio equipment; (ii) setting up a new studio in Shanghai; and (iii) improving operating efficiency through the development of a new backdrop construction team and hiring technicians.

The above business plan laid a solid foundation for the achievement of the growth of the Group. The Board will also proactively seek potential business opportunities so as to broaden the sources of income of the Group and to enhance value to the shareholders.

FINANCIAL REVIEW

Revenue

The Group generates revenue from the provision of one-stop visual, lighting and audio solutions to its customers in various events, including exhibitions, ceremonies, conferences, concerts, TV shows, product launches and other types of events.

The following table sets out a breakdown of the number of events and the Group's revenue by events during the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018.

	Year ended 31 December					
	2019			2018		
	Number of projects	**HK$'000**	**% of the Group's total revenue**	Number of projects	HK$'000	% of the Group's total revenue
Exhibition	**533**	**124,270**	**60.9**	555	127,367	53.4
Ceremony	**117**	**39,558**	**19.4**	357	54,539	22.9
Conference	**201**	**15,730**	**7.7**	209	19,677	8.2
Concert	**88**	**5,833**	**2.9**	68	4,238	1.8
TV show	**35**	**3,815**	**1.9**	96	7,091	3.0
Product launch	**6**	**3,433**	**1.7**	42	5,326	2.2
Others (Note)	**321**	**11,178**	**5.5**	190	20,204	8.5
Total	**1,301**	**203,817**	**100.0**	1,517	238,442	100.0

Note: Others mainly represent annual dinners, parties and other private events.

During the year ended 31 December 2019, the Group principally derived its revenue from exhibitions which accounted for approximately 60.9% of the Group's total revenue (2018: 53.4%). The Group's revenue decreased from approximately HK$238.4 million for the year ended 31 December 2018 to approximately HK$203.8 million for the year ended 31 December 2019, representing an decrease of approximately 14.5%.

Revenue analysis by geographical location

The following table sets out the revenue of the Group by geographical location during the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018.

	Year ended 31 December			
	2019		2018	
	HK$'000	***% of the Group's total revenue***	*HK$'000*	*% of the Group's total revenue*
The PRC	**118,780**	**58.3**	122,237	51.3
Hong Kong	**72,512**	**35.6**	100,923	42.3
Macau	**12,525**	**6.1**	15,282	6.4
Total	**203,817**	**100.0**	238,442	100.0

The decrease in revenue was mainly caused by the drop in number of events undertaken by the Group from approximately 1,500 events for the year ended 31 December 2018 to approximately 1,300 events for the year ended 31 December 2019.

Cost of services

The following table sets out the components of the cost of services of the Group during the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018.

	Year ended 31 December			
	2019		2018	
	HK$'000	***% of the Group's total cost of services***	*HK$'000*	*% of the Group's total cost of services*
Equipment rental cost	**40,881**	**30.9**	71,779	43.3
Employee benefit expenses	**44,747**	**33.8**	38,794	23.4
Material cost of consumables	**11,986**	**9.0**	20,465	12.3
Depreciation of property, plant and equipment	**13,720**	**10.4**	12,962	7.8
Depreciation of right-of-use assets	**4,106**	**3.1**	–	–
Freight expenses	**5,943**	**4.5**	9,123	5.5
Travel expenses	**7,413**	**5.6**	6,655	4.0
Other expenses	**3,656**	**2.7**	6,043	3.7
	132,452	**100.0**	165,821	100.0

Equipment rental cost

Equipment rental cost primarily represents the cost from renting of equipment from independent third parties to cater for our extra equipment needs due to (i) the availability of our equipment taking into account the schedule of our projects; (ii) the location of our projects; and (iii) our requirement of specific equipment to carry out specific effects desired by our customers. For the year ended 31 December 2019, equipment rental cost represented approximately 30.9% (2018: 43.3%) of our total cost of services.

Employee benefit expenses

Employee benefit expenses of the Group mainly represent salaries, wages, staff benefit (including mandatory provident funds, social insurance and housing provident funds, if applicable) paid to our front line on-site technical and maintenance staff and fees paid for the services provided by ad hoc manpower. For the year ended 31 December 2019, labour costs represented approximately 33.8% (2018: 23.4%) of our total cost of services.

Material cost of consumables

Material cost mainly represents the cost of consumables used for the on-site installation and maintenance and backdrop materials. For the year ended 31 December 2019, material costs of consumables represented approximately 9.0% (2018: 12.3%) of our total cost of services.

Depreciation of property, plant and equipment

Depreciation charges under cost of services mainly represent depreciation on the Group's visual and display equipment for the provision of its services. For the year ended 31 December 2019, depreciation of our visual and display equipment represented approximately 10.4% (2018: 7.8%) of our total cost of services.

Freight expenses

Freight expenses mainly represent logistics and transportation cost of delivering our equipment to and from the warehouse and the project locations. For the year ended 31 December 2019, freight expenses represented approximately 4.5% (2018: 5.5%) of our total cost of services.

Travel expenses

Travel expenses mainly represent travelling expenses of our technical staff and ad hoc manpower to and from project sites, and their hotel accommodation at the project sites. From time to time the project location of our customers might require staff travelling; cost in association with such travelling was recorded as travelling expense as part of the cost of services. For the year ended 31 December 2019, travel expenses represented approximately 5.6% (2018: 4.0%) of our total cost of services.

Gross profit and gross profit margin

Gross profit of the Group for the year ended 31 December 2019 amounted to approximately HK$71.4 million (2018: HK$72.6 million), representing gross profit margin of approximately 35.0% (2018: 30.5%). The increase of the gross profit margin was mainly attributable to the increase in gross profit margin of the Group's services due to a better mixture of our services with higher profit margins.

Other income

Other income represents one-off government grants received from the PRC government in subsidising the Group's unemployment insurance payment and tax payment during the year ended 31 December 2019 (2018: Nil).

Other losses, net

Other losses, net of the Group mainly represent foreign exchange differences. The Group's other losses decreased by approximately 94.3% from approximately HK$0.7 million for the year ended 31 December 2018 to approximately HK$0.04 million for the year ended 31 December 2019.

Selling expenses

Selling expenses mainly comprise staff cost of our Group's sales and marketing department, entertainment expenses in association with business solicitation, advertising expenses and travel expenses of our sales department. The Group's selling expenses decreased by approximately 4.9% from approximately HK$4.1 million for the year ended 31 December 2018 to approximately HK$3.9 million for the year ended 31 December 2019.

Administrative expenses

The administrative expenses of the Group mainly include administrative staff costs, depreciation of office equipment and right-of-use assets, and other sundry expenses. The Group's administrative expenses decreased by approximately 13.8% from approximately HK$34.9 million for the year ended 31 December 2018 to approximately HK$30.1 million for the year ended 31 December 2019.

Finance expenses, net

The finance expenses, net of the Group mainly consist of interest on bank borrowings (which were wholly repayable within five years), interest expenses on finance lease liabilities and interest income from daily bank balance and deposit. The Group's finance expenses, net decreased by approximately 1.9% from approximately HK$5.4 million for the year ended 31 December 2018 to approximately HK$5.3 million for the year ended 31 December 2019 which was mainly due to the increase in interest income arising from additional fixed deposit placed to and net off the increase in interest rate on 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 operate in. During the years ended 31 December 2019 and 2018, PRC Enterprise Income Tax has been provided at the rate of 25.0%. 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 year ended 31 December 2019 is subject to a tax rate of 8.25%.

The subsidiary incorporated and operating in Macau is subject to Macau complementary tax under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amounts to be taxed at a fixed rate of 12% for the years ended 31 December 2019 and 2018.

Profit for the year

As a result of the foregoing, the Group's net profit was approximately HK$24.5 million for the year ended 31 December 2019, representing an increase of approximately HK$2.9 million as compared with profit of approximately HK$21.6 million for the year ended 31 December 2018. The improvement was primarily attributable to the increase in the overall gross profit margin of the Group's services due to a better mixture of our services with higher profit margins.

Liquidity and Financial Resources

The Group finances its operations primarily through cash generated from operating activities and interest-bearing borrowings. As at 31 December 2019, the Group's current assets exceeded its current liabilities by approximately HK$49.1 million (2018: HK$18.2 million). Included in current liabilities were bank borrowings of approximately HK$70.8 million (2018: HK$11.3 million) which are due for repayment within one year.

As at 31 December 2019, the Group's current ratio was approximately 1.4 (2018: 1.2) and the Group's gearing ratio calculated based on the total debt at the end of the year divided by total equity at the end of the year was approximately 0.9 (2018: 0.6). The increase of the Group's gearing ratio was mainly due to the increase in bank and other borrowings.

As at 31 December 2019, the total available banking facilities (including unutlised and utilised amount) of the Group was HK$121.6 million.

The bank borrowings were denominated in Hong Kong dollars, and secured by total pledged time deposit of HK$61.1 million and the Company's corporate guarantee. This bank borrowings carried floating rates at the Hong Kong Interbank Offered Rate plus a margin per annum. The weighted effective interest rate on these bank borrowing was 5.0% per annum (2018: 4.0% per annum).

In 2018, one of the wholly-owned subsidiary of the Group entered into a loan agreement with an independent third party with a loan principal of HK$38 million, which is unsecured, charging at fixed interest rate of 5% per annum and was fully repayable on 27 December 2023. The Group repaid HK$9 million during the year ended 31 December 2019 and subsequent to the year end on 13 January 2020, the Group has further repaid HK$14 million in connection to the loan.

Capital Structure

The Shares were successfully listed on GEM of the Stock Exchange on 21 December 2017. There has been no change in the capital structure of the Group since then. As at 31 December 2019, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$121.6 million (2018: approximately HK$99.9 million), comprising issued share capital and reserves.

Pledge of Assets

As at 31 December 2019, an amount of approximately HK$61.1 million (2018: approximately HK$44.0 million) of pledged time deposits were pledged to banks to secure certain bank facilities granted to the Group.

Events after the Reporting Period

Following the outbreak of Novel Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented globally. The Group have assessed that as a result of the COVID-19 outbreak, it may have the following possible impact to the Group:

(a) progress of the Group's projects in Hong Kong, the PRC and Macau were delayed temporarily in the first quarter of 2020 because of the postponement of work resumption after the Chinese New Year holiday, which may in turn affect the operating results of the Group for the first half of 2020; and

(b) the temporary slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers of the Group, and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets.

Up to the date of this announcement, the impact of the COVID-19 outbreak on the Group's financial performance and the macro-economic conditions as a whole remains uncertain, and the Group is unable to quantify the related financial effects. The Group will continue to monitor and assess the development of the COVID-19 outbreak, and to evaluate its financial impact on the Group.

Significant Investments, Material Acquisitions and Disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Group has no material contingent liabilities (2018: Nil).

Exposure to Fluctuations in Exchange Rates

The Group's revenue and costs are primarily denominated in Hong Kong dollars and Renminbi. 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. During the year ended 31 December 2019, the Group did not use any financial instruments for hedging purposes.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status 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 other commitments can meet its funding requirements from time to time.

Employees and Remuneration Policies

As at 31 December 2019, the Group employed a total of 212 employees (2018: 190 employees) based in Hong Kong, Macau and the PRC. Employee costs (including the Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK$66.6 million for the year ended 31 December 2019 (2018: approximately HK$64.5 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the Group's and their performance.

Future Prospects

Following the impact of to social unrest in Hong Kong during the second half of 2019, Hong Kong's economy experienced negative growth. Our revenue for the year ended 31 December 2019 declined as compared with the year ended 31 December 2018. However, our Group adopted certain measurements to overcome the uncertainty, including but not limited to diversifying our business to the PRC and Macau in order to mitigate the impact of the uncertainty. In 2020, the outbreak of Novel Coronavirus disease (COVID-19) together with the challenges posed by the social unrest in Hong Kong in the past months will have impact to our business. Despite the above uncertainties, we continue to adopt certain useful measurements, based on our past experiences when facing SARS in 2003, such as expanding business in other regions, cost saving and explore potential business opportunities.

Looking forward, 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 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 of the Group and enhance value to its shareholders.

Comparison of Business Objectives with Actual Business Progress and Use of Proceeds

Business objectives as stated in the Prospectus (as defined below)	**Actual business progress up to 31 December 2019**
(i) Acquisition of advanced visual, lighting and audio equipment	(i) Acquired advanced visual, lighting and audio equipment of HK$20.2 million
(ii) Setting up a new studio in Shanghai	(ii) The Group required additional time to identify a suitable location for setting up the new studio
(iii) Improving operating efficiency – development of a new backdrop construction team and hiring technicians	(iii) The Group has hired/internally transferred technicians to develop a backdrop construction team

The actual net proceeds received by the Company from the Share Offer, after deducting underwriting commission and professional expenses in relation to the Share Offer, amounted to approximately HK$27.6 million. The actual net proceeds from the Listing was different from the estimated net proceeds of approximately HK$25.0 million as set out in the prospectus of the Company dated 8 December 2017 in relation to the Share Offer (the "**Prospectus**") and the estimated net proceeds of approximately HK$29.5 million as set out in the announcement of the Company in relation to the allotment result dated 20 December 2017 (the "**Allotment Result Announcement**"). As at 31 December 2019, all the net proceeds have been utilised.

The Group adjusted its use of proceeds in the same manner and proportion as shown in the Allotment Result Announcement. An analysis of the utilisation of the net proceeds as at 31 December 2019 is set out below:

	Adjusted net proceeds	**Utilised amount from the Listing date up to 31 December 2019**	**Unutilised amount as at 31 December 2019**
	HK$ million	*HK$ million*	*HK$ million*
Acquisition of advanced visual, lighting and audio equipment (including equipment to be used in the new studio in Shanghai)	20.2	20.2	–
Setting up a new studio in Shanghai (excluding the cost of equipment purchase to display in the studio)	3.1	3.1	–
Improving operating efficiency-development of new backdrop construction team and hiring technicians	1.7	1.7	–
General working capital and other corporate use	2.6	2.6	–
	27.6	27.6	–

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

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

The Directors confirm that neither the Company nor any of its subsidiaries redeemed, purchased or sold any of the Company's securities during the year ended 31 December 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct throughout the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the year ended to 31 December 2019, the Company has complied, to the extend applicable and permissible, with the principles and applicable code provisions as set out in 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 shareholder.

Mr. Chan Wing Kee (being the independent non-executive Director of 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.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chen Yeung Tak, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee. Mr. Chen Yeung Tak is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board. The full terms of reference setting out details of duties of the Audit Committee is available on both the GEM website of the Stock Exchange and the Company's website.

The Audit Committee is satisfied with their review of the remuneration and independence of the Company's auditors, PricewaterhouseCoopers ("**PwC**"), and has recommended the Board to re-appoint PwC as the Company's auditors for the financial year ending 31 December 2020, which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company ("**AGM**"). The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019, risk management and internal control system of the Group.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Monday, 22 June 2020, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained a sufficient public float as required under the GEM Listing Rules.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PwC, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website of the Stock Exchange at www.hkgem.com and of the Company's website at www.avpromotions.com. The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Monday, 22 June 2020, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 15 June 2020.

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

Hong Kong, 24 March 2020

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

This announcement will remain on the GEM website at www.hkgem.com, on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.avpromotions.com.