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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 2020

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 and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”). 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 recognised revenue of approximately HK\$123.3 million for the year ended 31 December 2020, representing a decrease of approximately HK\$80.5 million or 39.5% as compared with the year ended 31 December 2019.

The gross profit of the Group amounted to approximately HK\$39.3 million for the year ended 31 December 2020, representing a decrease of approximately 44.9% from approximately HK\$71.4 million for the year ended 31 December 2019.

The Group's net profit amounted to approximately HK\$7.1 million for the year ended 31 December 2020, representing a decrease of approximately HK\$17.4 million as compared with the year ended 31 December 2019.

The Board has resolved not to recommend a final dividend for the year ended 31 December 2020.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2020, together with the comparative audited figures for the year ended 31 December 2019, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	<i>Note</i>	Year ended 31 December	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	123,261	203,817
Cost of services		(83,985)	(132,452)
Gross profit		39,276	71,365
Other income	4	821	998
Other gains/(losses), net		267	(42)
Net impairment losses on trade receivables		(524)	–
Selling expenses		(2,422)	(3,882)
Administrative expenses		(23,151)	(30,135)
Operating profit		14,267	38,304
Finance income		782	541
Finance expenses		(5,099)	(5,842)
Finance expenses – net		(4,317)	(5,301)
Profit before income tax		9,950	33,003
Income tax expenses	5	(2,804)	(8,479)
Profit for the year		7,146	24,524
Profit for the year attributable to:			
Owners of the Company		7,146	24,516
Non-controlling interests		–	8
		7,146	24,524
Basic and diluted earnings per share for profit attributable to owners of the Company (<i>HK cents</i>)	7	1.79	6.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Profit for the year	7,146	24,524
Other comprehensive income/(loss):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>5,310</u>	<u>(2,831)</u>
Total comprehensive income for the year	<u>12,456</u>	<u>21,693</u>
Total comprehensive income for the year is attributable to:		
Owners of the Company	<u>12,456</u>	21,685
Non-controlling interests	<u>–</u>	<u>8</u>
	<u>12,456</u>	<u>21,693</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		80,781	92,799
Right-of-use assets		9,033	13,773
Pledged time deposits		10,000	10,000
Prepayments and deposits		573	648
		<u>100,387</u>	<u>117,220</u>
		-----	-----
Current assets			
Trade receivables	8	107,124	87,659
Contract assets		–	889
Prepayments, deposits and other receivables		21,910	8,701
Pledged time deposits		51,000	51,101
Cash and cash equivalents		17,235	37,754
		<u>197,269</u>	<u>186,104</u>
		-----	-----
Total assets		<u>297,656</u>	<u>303,324</u>
		=====	=====
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		4,000	4,000
Share premium		41,901	41,901
Exchange reserve		361	(4,949)
Other reserves		5,314	5,314
Retained earnings		82,473	75,327
		<u>134,049</u>	<u>121,593</u>
Total equity		<u>134,049</u>	<u>121,593</u>
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		As at 31 December	
		2020	2019
<i>Note</i>		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
	Deferred income tax liabilities	9,772	10,260
	Borrowings	15,000	29,000
	Lease liabilities	4,118	5,466
		<u>28,890</u>	<u>44,726</u>
Current liabilities			
	Trade and bills payables	38,969	37,576
	Accruals and other payables	8,786	11,433
	Borrowings	75,197	70,789
	Lease liabilities	1,620	4,829
	Deferred income tax liabilities	–	1,585
	Current income tax liabilities	10,145	10,793
		<u>134,717</u>	<u>137,005</u>
	Total liabilities	<u>163,607</u>	<u>181,731</u>
	Total equity and liabilities	<u>297,656</u>	<u>303,324</u>

NOTES TO THE 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 Act (2021 Revision), formerly known as 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 Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, 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 ultimate holding company of the Company is Jumbo Fame Company Limited incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Wong Man Por.

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) *Adoption of new and amended standards*

The Group has adopted the following standards and amendments which are relevant to the Group's operations for the first time for their annual reporting period commencing on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business
Revised Conceptual Framework	Revised Conceptual Framework for Financial reporting

The 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, interpretation and amendments to standards not yet adopted*

The following are new standards, interpretation and amendments to standards that have been published and are not mandatory for the 31 December 2020 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.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 16	Property, Plant and equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020	1 January 2022

3. 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	
	2020	2019
	HK\$'000	HK\$'000
Revenue from services	<u>123,261</u>	<u>203,817</u>

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:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	38,499	72,512
The PRC	83,384	118,780
Macau	1,378	12,525
	<u>123,261</u>	<u>203,817</u>

Information about major customers

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Group:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	59,325	50,228

4. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	821	998

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

5. 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 2020 and 2019 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% (2019: 25%) on the estimated assessable profits for the years ended 31 December 2020.

Macau complementary tax has been provided at the rate of 12% (2019: 12%) on the estimated assessable income exceeding MOP600,000 (2019: MOP600,000) during the year ended 31 December 2020.

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong	–	527
– The PRC	5,910	8,104
– Macau	–	–
	<u>5,910</u>	<u>8,631</u>
(Over)/under provision in prior years		
– Hong Kong	(38)	(4)
– The PRC	(995)	34
– Macau	–	–
	<u>(1,033)</u>	<u>30</u>
Deferred income tax	<u>(2,073)</u>	<u>(182)</u>
Income tax expenses	<u><u>2,804</u></u>	<u><u>8,479</u></u>

6. DIVIDEND

No dividend has been paid or declared by the Company in respect of the years ended 31 December 2020 and 2019.

7. 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	
	2020	2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	7,146	24,516
Weighted average number of shares in issue (<i>thousands shares</i>)	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (<i>HK cents</i>)	<u><u>1.79</u></u>	<u><u>6.13</u></u>

(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 31 December 2020 and 2019.

8. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables	107,648	87,659
Less: Loss allowance	(524)	–
	<u>107,124</u>	<u>87,659</u>
Trade receivables, net of provision	<u>107,124</u>	<u>87,659</u>

The carrying amounts of trade receivables approximate 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	
	2020	2019
	HK\$'000	HK\$'000
Current	41,224	56,338
0 to 3 months	48,333	20,265
3 to 6 months	9,677	9,615
Over 6 months	7,890	1,441
	<u>107,124</u>	<u>87,659</u>
	<u>107,124</u>	<u>87,659</u>

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 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. As at 31 December 2020, trade receivables of HK\$524,000 (2019: Nil) are impaired and have been provided for.

9. TRADE AND BILLS PAYABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade and bills payables	<u>38,969</u>	<u>37,576</u>
	<u>38,969</u>	<u>37,576</u>

As at 31 December 2020 and 2019, the Group's ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Up to 3 months	35,681	33,177
3 to 6 months	62	543
Over 6 months	3,226	3,856
	<u>38,969</u>	<u>37,576</u>
	<u>38,969</u>	<u>37,576</u>

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

The Group is principally engaged in the provision of one-stop visual, lighting and audio solutions services in Hong Kong, the People's Republic of China (“**PRC**”) and Macau. During the year ended 31 December 2020, we participated in over 400 (2019: 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) GBA Sim Racing Grand Prix; (iii) conferences related to “One Belt, One Road”, Asian Logistics, Maritime and Aviation Conference and Asian E-Tailing Summit; (iv) luxury products launch; and (v) beauty contest in Hong Kong.

The Group derived approximately 68.5% of its total revenue during the year ended 31 December 2020 from exhibitions (2019: 60.9%), 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 outbreak of the novel coronavirus (COVID-19) (the “**Pandemic**”) adversely affected the Group's operation during the year ended 31 December 2020. The closure of venues, emergency public health measures including the social distancing rules and various actions such as quarantine orders, travel alert or travel restrictions imposed by the governments to prevent the spread of the COVID-19 have led to the postponement, rescheduling or cancellation of events in Hong Kong, the PRC and Macau. Notwithstanding the number of events handled by the Group significantly decreased from approximately 1,300 for the year ended 31 December 2019 to approximately 400 for the year ended 31 December 2020, the Group managed to participate in certain sizeable exhibitions during the year ended 31 December 2020 which contributed to a higher revenue per exhibition as compared to that for the year ended 31 December 2019.

The net proceeds raised from the Share Offer (the “**Net Proceeds**”) have strengthened the Group's cash flows and the Group's ability to implement its business plans, 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 Net Proceeds have been fully utilised during the year ended 31 December 2019. As at 31 December 2020, the Group had nil unutilised Net Proceeds.

The above business plans laid a solid foundation for the Group's development. 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 of the Company (the “**Shareholders**”).

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects could be affected by a number of risks and uncertainties including market risk, credit risk and liquidity risk. In addition, the Pandemic may heighten the aforementioned risks. There are no unprecedented recent events that provide guidance as to the effect the COVID-19 outbreak as a global Pandemic may have. In particular, the duration of the Pandemic is unpredictable, and as a result, the ultimate impact of the Pandemic is highly uncertain.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2020, the Group generated revenue from the provision of visual, lighting and audio solutions services to its customers in various events, including exhibitions, ceremonies, conferences, concerts, TV shows, product launches and other types of events.

The following table sets forth the breakdown of the number of events and the Group's revenue by types of events for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019:

	Year ended 31 December					
	2020			2019		
	<i>Number of events</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of events</i>	<i>HK\$'000</i>	<i>%</i>
Exhibition	76	84,442	68.5	533	124,270	60.9
Ceremony	64	13,812	11.2	117	39,558	19.4
Conference	52	5,148	4.2	201	15,730	7.7
TV show	46	3,797	3.1	35	3,815	1.9
Product launch	3	62	0.0	6	3,433	1.7
Concert	4	32	0.0	88	5,833	2.9
Others <i>(Note)</i>	159	15,968	13.0	321	11,178	5.5
Total revenue	404	123,261	100.0	1,301	203,817	100.0

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

During the year ended 31 December 2020, the Group principally derived its revenue from exhibitions which accounted for approximately 68.5% of the Group's total revenue (2019: 60.9%). The Group's revenue decreased from approximately HK\$203.8 million for the year ended 31 December 2019 to approximately HK\$123.3 million for the year ended 31 December 2020, representing a decrease of approximately 39.5%. The decrease in revenue was mainly due to the significant decrease in number of events undertaken by the Group from approximately 1,300 events for the year ended 31 December 2019 to approximately 400 events for the year ended 31 December 2020.

Revenue analysis by geographical location

The following table sets forth the breakdown of the Group's revenue by geographical location for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
The PRC	83,384	67.7	118,780	58.3
Hong Kong	38,499	31.2	72,512	35.6
Macau	1,378	1.1	12,525	6.1
Total revenue	<u>123,261</u>	<u>100.0</u>	<u>203,817</u>	<u>100.0</u>

During the year ended 31 December 2020, the majority of the Group's revenue was generated from the PRC.

Cost of services

The following table sets forth the breakdown of the Group's cost of services for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Employee benefit expenses	27,545	32.8	44,747	33.8
Equipment rental cost	25,720	30.6	40,881	30.9
Depreciation of property, plant and equipment	12,826	15.3	13,720	10.4
Material cost of consumables	6,386	7.6	11,986	9.0
Depreciation of right-of-use assets	4,290	5.1	4,106	3.1
Freight expenses	3,708	4.4	5,943	4.5
Travel expenses	2,424	2.9	7,413	5.6
Other expenses	1,086	1.3	3,656	2.7
Total cost of services	83,985	100.0	132,452	100.0

The decrease in cost of services was generally in line with the decrease in revenue.

Employee benefit expenses

Employee benefit expenses mainly represented 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 2020, employee benefits expenses constituted approximately 32.8% (2019: 33.8%) of our total cost of services.

Equipment rental cost

Equipment rental cost primarily represented the cost from renting of equipment from independent third parties to cater for our extra equipment needs taking into accounts factors including (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 2020, equipment rental cost constituted approximately 30.6% (2019: 30.9%) of our total cost of services.

Depreciation of property, plant and equipment

Depreciation charges under cost of services mainly represented depreciation on the Group's visual and display equipment for the provision of its services. For the year ended 31 December 2020, depreciation of our visual and display equipment constituted approximately 15.3% (2019: 10.4%) of our total cost of services.

Material cost of consumables

Material cost of consumables mainly represented the cost of consumables used for the on-site installation and maintenance and backdrop materials. For the year ended 31 December 2020, material costs of consumables constituted approximately 7.6% (2019: 9.0%) of our total cost of services.

Gross profit and gross profit margin

Gross profit of the Group for the year ended 31 December 2020 amounted to approximately HK\$39.3 million (2019: HK\$71.4 million), representing gross profit margin of approximately 31.9% (2019: 35.0%). The decrease in gross profit was generally in line with the decrease in revenue. The decrease in gross profit margin was mainly attributable to the depreciation of property, plant and equipment which was charged irrespective of the level of our revenue.

Other income

Other income represented government grants received during the year ended 31 December 2020.

Other gains/(losses), net

Other net gains/(losses) of the Group mainly represented gains on disposals of property, plant and equipment and foreign exchange differences. The increase during the year ended 31 December 2020 was mainly driven by the gains on disposals of property, plant and equipment.

Selling expenses

Selling expenses mainly comprised staff cost of our Group's sales and marketing department, advertising expenses and travel expenses of our sales department. The Group's selling expenses decreased by approximately 38.5% from approximately HK\$3.9 million for the year ended 31 December 2019 to approximately HK\$2.4 million for the year ended 31 December 2020, which was in line with the decrease in revenue.

Administrative expenses

Administrative expenses of the Group mainly comprised administrative staff costs, depreciation of office equipment and right-of-use assets, and other sundry expenses. For the year ended 31 December 2020, administrative expenses included non-recurring professional fees of approximately HK\$3.8 million incurred in respect of the proposed transfer of listing of the Company from GEM to the Main Board of the Stock Exchange as announced in the announcement of the Company dated 20 May 2020. The Group's administrative expenses decreased by approximately 22.9% from approximately HK\$30.1 million for the year ended 31 December 2019 to approximately HK\$23.2 million for the year ended 31 December 2020.

Finance expenses, net

Net finance expenses of the Group mainly comprised interest on bank borrowings, interest expenses on finance leases liabilities and bank interest income. The Group's net finance expenses decreased by approximately 18.9% from approximately HK\$5.3 million for the year ended 31 December 2019 to approximately HK\$4.3 million for the year ended 31 December 2020 which was mainly due to the increase in bank interest income and the decrease in interest on 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. During the years ended 31 December 2020 and 2019, 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 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 2020 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 amount to be taxed at a fixed rate of 12% for the years ended 31 December 2020 and 2019.

Profit for the year

As a result of the foregoing, the Group's net profit amounted to approximately HK\$7.1 million for the year ended 31 December 2020, representing a decrease of approximately HK\$17.4 million as compared with net profit of approximately HK\$24.5 million for the year ended 31 December 2019.

Liquidity and Financial Resources

The Group financed its operations primarily through cash generated from operating activities and interest-bearing borrowings. As at 31 December 2020, the Group had net current assets of approximately HK\$62.6 million (2019: HK\$49.1 million). Included in current liabilities were bank borrowings of approximately HK\$75.2 million (2019: HK\$70.8 million) which are due for repayment within one year or were repayable on demand.

As at 31 December 2020, the Group's current ratio was approximately 1.5 (2019: 1.4) and the Group's gearing ratio calculated based on the total debt (including borrowings and lease liabilities) at the end of the year divided by total equity at the end of the year was approximately 71.6% (2019: 90.5%). The decrease of the Group's gearing ratio was mainly due to the decrease in borrowings.

As at 31 December 2020, the amount of total available banking facilities (including unutilised and utilised amount) of the Group was approximately HK\$118.0 million (2019: HK\$121.6 million).

The bank borrowings were denominated in Hong Kong dollars, and secured by total pledged time deposit of approximately HK\$61.0 million (2019: 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 4.7% per annum (2019: 5.0% per annum).

In 2018, one of the wholly-owned subsidiaries 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 approximately HK\$14.0 million (2019: HK\$9.0 million) during the year ended 31 December 2020 in connection to the loan.

Capital Structure

Since the listing of the shares of the Company on the Stock Exchange, there has been no change in the capital structure of the Group. As at 31 December 2020, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$134.0 million (2019: HK\$121.6 million), comprising issued share capital and reserves.

Pledge of Assets

As at 31 December 2020, an amount of approximately HK\$61.0 million (2019: HK\$61.1 million) of pledged time deposits was pledged to banks to secure certain bank facilities granted to 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 2020 (2019: Nil).

Contingent Liabilities

As at 31 December 2020, the Group has no material contingent liabilities (2019: 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 2020, 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 2020. 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 2020, the Group employed a total of 183 employees (2019: 212 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\$42.4 million for the year ended 31 December 2020 (2019: HK\$66.6 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

2020 was an unprecedented year with the outbreak of the novel coronavirus (COVID-19) (the “**Pandemic**”), which has adversely affected the overall economies in Hong Kong, the PRC and Macau. The closure of venues, emergency public health measures including the social distancing rules and various actions such as quarantine orders, travel alert or travel restrictions imposed by the governments to prevent the spread of the COVID-19 have led to the postponement, rescheduling or cancellation of events in Hong Kong, Macau and the PRC. As a result, the number of events handled by the Group decreased significantly during the year ended 31 December 2020, which in turn adversely affect the Group’s operation. Despite the above challenges, we continue to adopt certain useful measures, leveraging our past experience when facing SARS in 2003, such as saving cost and exploring potential business opportunities. The Group recognised revenue of approximately HK\$123.3 million for the year ended 31 December 2020, representing a decrease of approximately HK\$80.5 million or 39.5% as compared with the year ended 31 December 2019. The gross profit of the Group for the year ended 31 December 2020 decreased by approximately 44.9% to approximately HK\$39.3 million from HK\$71.4 million for the year ended 31 December 2019. The Group’s net profit was approximately HK\$7.1 million for the year ended 31 December 2020, as compared with net profit of approximately HK\$24.5 million for the year ended 31 December 2019.

Looking forward, we will continue to take all the necessary measures to minimise the impact of the Pandemic on the Group and to actively explore business opportunities as the economies in Hong Kong, the PRC and Macau are expected to gradually recover. 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 actively 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 and enhance value to our Shareholders.

DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 December 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries redeemed, purchased or sold any of the Company’s securities during the year ended 31 December 2020.

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**”). After 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 during the Reporting Period and up to the date of this announcement.

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. During the year ended 31 December 2020 and up to the date of this announcement, the Company has complied with the principles and applicable code provisions in the CG Code.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Appendix 15 to the GEM Listing Rules which comprises three INEDs, 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 Company has also established the written terms of reference of the Audit Committee in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provisions C3.3 and C3.7 of the CG Code.

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 was satisfied with its review of the auditors’ remuneration, the independence of the Company’s auditors, PricewaterhouseCoopers (“**PwC**”), and recommended the Board to re-appoint PwC as the Company’s auditors in the financial year ending 31 December 2021, which is subject to the approval of Shareholders at the forthcoming annual general meeting. The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2020, the effectiveness of the risk management and internal control system of the Group.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Monday, 31 May 2021, 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 2020 as set out in this 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 ended 31 December 2020. 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 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 2020 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 establish entitlements to attend and vote at the forthcoming annual general meeting to be held on Monday, 31 May 2021, the register of members of the Company will be closed from Monday, 24 May 2021 to Monday, 31 May 2021 (both dates inclusive), during which period no transfer of the shares will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms 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 Friday, 21 May 2021.

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

Hong Kong, 26 March 2021

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

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