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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 that 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 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 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 unaudited revenue of the Group was approximately HK\$79.6 million for the six months ended 30 June 2021, representing an increase of approximately 157.6% from approximately HK\$30.9 million for the corresponding period in 2020.
- The unaudited profit attributable to owners of the Company amounted to approximately HK\$0.5 million for the six months ended 30 June 2021, representing an increase of approximately 102.8% from unaudited loss attributable to owners of the Company amounted to approximately HK\$17.9 million for the corresponding period in 2020.
- The board of Directors (the “**Board**”) does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three and six months ended 30 June 2021 together with the unaudited comparative figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and six months ended 30 June 2021

		Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	66,503	18,299	79,618	30,858
Cost of services	4	(41,471)	(16,103)	(59,902)	(31,275)
Gross profit/(loss)		25,032	2,196	19,716	(417)
Other income	3	220	838	394	1,593
Other (losses)/gains, net		(2)	–	(10)	681
Selling expenses	4	(1,060)	(548)	(1,580)	(1,232)
Administrative expenses	4	(6,850)	(9,203)	(13,183)	(16,034)
Operating profit/(loss)		17,340	(6,717)	5,337	(15,409)
Finance income	6	38	274	85	576
Finance expenses	6	(982)	(1,266)	(1,967)	(2,735)
Finance expenses – net		(944)	(992)	(1,882)	(2,159)
Profit/(loss) before income tax		16,396	(7,709)	3,455	(17,568)
Income tax expenses	7	(4,361)	(305)	(2,936)	(307)
Profit/(loss) for the period attributable to owners of the Company		12,035	(8,014)	519	(17,875)
Basic and diluted earnings/ (losses) per share for profit/ (loss) attributable to owners of the Company (HK cents)	9	3.01	(2.00)	0.13	(4.47)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2021

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	12,035	(8,014)	519	(17,875)
Other comprehensive income/(loss):				
<i>Item that may be reclassified to profit or loss</i>				
Currency translation differences	<u>2,861</u>	<u>(1,231)</u>	<u>2,264</u>	<u>(1,849)</u>
Total comprehensive income/(loss) for the period	<u>14,896</u>	<u>(9,245)</u>	<u>2,783</u>	<u>(19,724)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u>14,896</u>	<u>(9,245)</u>	<u>2,783</u>	<u>(19,724)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	10	85,212	80,781
Right-of-use assets		6,814	9,033
Pledged time deposits		10,000	10,000
Prepayments and deposits	11	405	573
		<u>102,431</u>	<u>100,387</u>
		-----	-----
Current assets			
Trade receivables	11	107,427	107,124
Prepayments, deposits and other receivables	11	25,005	21,910
Pledged time deposits		51,000	51,000
Cash and cash equivalents		12,205	17,235
		<u>195,637</u>	<u>197,269</u>
		-----	-----
Total assets		<u>298,068</u>	<u>297,656</u>
		=====	=====
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	12	4,000	4,000
Share premium	12	41,901	41,901
Exchange reserve		2,625	361
Other reserves		5,314	5,314
Retained earnings		82,992	82,473
		<u>136,832</u>	<u>134,049</u>
Total equity		<u>136,832</u>	<u>134,049</u>
		=====	=====

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		9,772	9,772
Borrowings	14	15,000	15,000
Lease liabilities		3,516	4,118
		<u>28,288</u>	<u>28,890</u>
Current liabilities			
Trade and bills payables	13	41,996	38,969
Accruals and other payables	13	4,505	8,786
Borrowings	14	75,086	75,197
Lease liabilities		476	1,620
Current income tax liabilities		10,885	10,145
		<u>132,948</u>	<u>134,717</u>
Total liabilities		<u>161,236</u>	<u>163,607</u>
Total equity and liabilities		<u>298,068</u>	<u>297,656</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
As at 1 January 2020 (Audited)	4,000	41,901	(4,949)	5,314	75,327	121,593
Comprehensive loss						
Loss for the period	–	–	–	–	(17,875)	(17,875)
Other comprehensive loss						
Currency translation differences	–	–	(1,849)	–	–	(1,849)
Total comprehensive loss	–	–	(1,849)	–	(17,875)	(19,724)
As at 30 June 2020 (Unaudited)	4,000	41,901	(6,798)	5,314	57,452	101,869
As at 1 January 2021 (audited)	4,000	41,901	361	5,314	82,473	134,049
Comprehensive income						
Profit for the period	–	–	–	–	519	519
Other comprehensive income						
Currency translation differences	–	–	2,264	–	–	2,264
Total comprehensive income	–	–	2,264	–	519	2,783
As at 30 June 2021 (Unaudited)	4,000	41,901	2,625	5,314	82,992	136,832

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operation	10,846	6,016
Income tax paid	(1,593)	(6,277)
	<u> </u>	<u> </u>
Net cash generated from/(used in) operating activities	9,253	(261)
Cash flows from investing activities		
Purchases of property, plant and equipment	(10,764)	(2,772)
Proceeds from disposal of property, plant and equipment	–	1,500
Increase in pledged bank deposits	–	(172)
Bank interest income	85	576
	<u> </u>	<u> </u>
Net cash used in investing activities	(10,679)	(868)
Cash flows from financing activities		
Net repayments of borrowings	(111)	(13,210)
Payments of loan interest	(1,767)	(2,735)
Principal elements of lease payments	(1,788)	(2,022)
	<u> </u>	<u> </u>
Net cash used in financing activities	(3,666)	(17,967)
Net decrease in cash and cash equivalents	(5,092)	(19,096)
Cash and cash equivalents at beginning of period	17,235	37,754
Exchange gains/(losses) on cash and cash equivalents	62	(1,489)
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	12,205	17,169
	<u> </u>	<u> </u>

NOTES TO THE UNAUDITED 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 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 People's Republic of China (the "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 were listed on the GEM of The Stock Exchange Hong Kong Limited on 21 December 2017.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong) and the GEM Listing Rules.

These 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.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual audited financial statements for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 December 2021 and they should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2020. The Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial period beginning on 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 9 and HKFRS 16

The adoption of the above amendments to standards did not have any significant financial impact on these unaudited condensed consolidated interim financial statements.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

(a) (i) 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.

The Group's revenue recognised are as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from services	<u>66,503</u>	<u>18,299</u>	<u>79,618</u>	<u>30,858</u>

(ii) Other income

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	<u>220</u>	<u>838</u>	<u>394</u>	<u>1,593</u>

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

(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 are as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	15,712	4,328	23,594	13,295
The PRC	50,210	13,958	55,443	17,090
Macau	581	13	581	473
	<u>66,503</u>	<u>18,299</u>	<u>79,618</u>	<u>30,858</u>

The non-current assets are allocated based on the physical location of the assets as below:

	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	92,699	89,242
The PRC	7,071	8,275
Macau	2,661	2,870
Total non-current assets	<u>102,431</u>	<u>100,387</u>

4. EXPENSES BY NATURE

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration	300	325	600	650
Depreciation of property, plant and equipment (Note 10)	3,332	3,259	6,338	6,489
Depreciation of right-of-use assets	988	1,238	2,288	2,522
Employee benefit expenses (Note 5)	14,475	9,649	28,837	22,236
Entertainment expenses	292	68	497	329
Equipment rental cost	19,745	5,048	23,202	8,249
Freight expenses	3,491	342	3,599	475
Legal and professional fee	317	229	531	597
Listing transfer expenses	–	3,464	–	3,464
Material cost of consumables	3,178	432	3,544	543
Motor vehicles expenses	230	88	230	161
Short-term leases payments	577	2	577	2
Travel expenses	1,086	582	1,391	878
Other expenses	1,370	1,128	3,031	1,946
Total cost of services, selling expenses and administrative expenses	<u>49,381</u>	<u>25,854</u>	<u>74,665</u>	<u>48,541</u>

5. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wages, salaries and bonus	12,470	9,040	24,798	20,401
Pension costs	1,542	428	3,055	1,131
Other staff welfare and benefits	463	181	984	704
	<u>14,475</u>	<u>9,649</u>	<u>28,837</u>	<u>22,236</u>

6. FINANCE INCOME AND EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income				
– Bank interest income	<u>38</u>	<u>274</u>	<u>85</u>	<u>576</u>
Finance income	<u>38</u>	<u>274</u>	<u>85</u>	<u>576</u>
Interest expenses				
– Finance lease liabilities	(77)	(125)	(162)	(267)
– Borrowings	<u>(905)</u>	<u>(1,141)</u>	<u>(1,805)</u>	<u>(2,468)</u>
Finance expenses	<u>(982)</u>	<u>(1,266)</u>	<u>(1,967)</u>	<u>(2,735)</u>
Finance expenses – net	<u>(944)</u>	<u>(992)</u>	<u>(1,882)</u>	<u>(2,159)</u>

7. INCOME TAX EXPENSES

Pursuant to the enactment of two-tiered profits tax rates issued by the Inland Revenue Department of Hong Kong from the year of assessment 2018/19 onwards, the qualifying group entity's first HK\$2 million of assessable profits under Hong Kong profits tax for the three and six months ended 30 June 2021 and 2020 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% on the estimated assessable profits for the six months ended 30 June 2021 and 2020.

Macau complementary tax has been provided at the rate of 12% on the estimated assessable income exceeding MOP600,000 for the six months ended 30 June 2021 and 2020.

The amount of taxation charged/(credited) to the unaudited condensed consolidated income statement represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
– Hong Kong	–	–	–	–
– The PRC	2,510	514	2,936	514
– Macau	–	–	–	–
	<u>2,510</u>	<u>514</u>	<u>2,936</u>	<u>514</u>
Deferred income tax	<u>1,851</u>	<u>(209)</u>	<u>–</u>	<u>(207)</u>
Income tax expenses	<u>4,361</u>	<u>305</u>	<u>2,936</u>	<u>307</u>

8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9. BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE

(a) Basic

The basic earnings/(losses) per share is calculated by dividing the profit/(loss) 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		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	12,035	(8,014)	519	(17,875)
Weighted average number of shares in issue (thousands shares)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Basic earnings/(losses) per share (HK cents)	<u>3.01</u>	<u>(2.00)</u>	<u>0.13</u>	<u>(4.47)</u>

(b) Diluted

Diluted earnings/(losses) per share presented is the same as the basic earnings/(losses) per share as there were no potentially dilutive ordinary share outstanding as at 30 June 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment is analysed as follows:

	<i>HK\$'000</i>
At 1 January 2021 (Audited)	80,781
Additions	10,764
Depreciation	(6,338)
Currency translation differences	<u>5</u>
At 30 June 2021 (Unaudited)	<u><u>85,212</u></u>

11. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITES AND OTHER RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	107,951	107,648
Less: Loss allowance	<u>(524)</u>	<u>(524)</u>
Trade receivables, net of provision	<u>107,427</u>	<u>107,124</u>
Rental deposits	811	1,192
Other deposits	362	29
Prepayments	18,929	15,129
Other receivables	<u>5,308</u>	<u>6,133</u>
	25,410	22,483
Less: Non-current portion	<u>(405)</u>	<u>(573)</u>
	<u>25,005</u>	<u>21,910</u>
	<u>132,432</u>	<u>129,034</u>

Trade receivables

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 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Current	43,608	41,224
0 to 3 months	44,275	48,333
3 to 6 months	8,082	9,677
Over 6 months	11,462	7,890
	<u>107,427</u>	<u>107,124</u>

12. SHARE CAPITAL AND SHARE PREMIUM

Authorised ordinary shares:

	Number of shares	Nominal value of ordinary shares <i>HK\$'000</i>
At 31 December 2020 (Audited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	2,000,000,000	20,000

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
At 31 December 2020 (Audited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	400,000,000	4,000	41,901

13. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade and bills payables	41,996	38,969
Accrual expenses	3,559	7,979
Other payables	946	807
Accruals and other payables	4,505	8,786
Total	46,501	47,755

Trade and bills payables

The ageing analysis of trade and bills payables based on the invoice date is as follows:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Up to 3 months	37,595	35,681
3 to 6 months	1,998	62
Over 6 months	2,403	3,226
	41,996	38,969

14. BORROWINGS

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Current		
Bank borrowings (<i>Note (a)</i>)	75,086	75,197
Non-current		
Loan from a third party (<i>Note (b)</i>)	15,000	15,000
Total	90,086	90,197

(a) **Bank borrowings**

As at 30 June 2021, bank borrowings were denominated in HK\$ and secured by pledged time deposits of HK\$61,000,000 and the Company's corporate guarantee. These bank borrowings carried floating rate at HIBOR plus a margin per annum. The weighted effective interest rate on these bank borrowing was 4.4% per annum (31 December 2020: 4.7% per annum).

The exposure of these bank borrowings to interest rate changes and the contractual repricing dates are six months or less.

The Group's bank borrowings were repayable as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
On demand or within a period not exceeding one year	75,086	75,197

The Group's bank borrowings were repayable, without taking into account of the repayable on demand clause or certain bank borrowings, as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within one year	51,841	56,325
Between one to two years	11,497	10,534
Between two to five years	11,748	8,338
	75,086	75,197

(b) **Loan from a third party**

On 27 December 2018, AV Promotions Limited, a wholly owned subsidiary of the Company entered into a loan agreement with an independent third party with a principal of HK\$38,000,000, which is unsecured, bears fixed interest rate of 5% per annum and is fully repayable on 27 December 2023. As at 30 June 2021 and 2020, the outstanding loan amounted to HK\$15,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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 provision of the aforesaid services to exhibitions, ceremonies, conferences, TV shows, product launches, concerts and other types of events.

Since early 2020, the outbreak of novel coronavirus disease (COVID-19) (the “**Pandemic**”) had adversely affected the overall economies in Hong Kong, the PRC and Macau. Although the impact of the Pandemic has adversely affected the financial performance of the Group in 2020, with the easing of the epidemic, the general public’s activities gradually returned to normal.

As a result of the gradual lift of the anti-epidemic measures, during the six months ended 30 June 2021, the Group engaged in 243 events compared with 167 events for the corresponding period in 2020. The Group derived approximately 68.1% of its total revenue (for the six months ended 30 June 2020: 64.1%) from exhibition during the six months ended 30 June 2021, the majority of which took place in Hong Kong and the PRC.

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. The Group is well confident to further improve its profitability and bring value to its stakeholders in the long run.

FINANCIAL REVIEW

Revenue

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

The Group’s revenue increased from approximately HK\$30.9 million for the six months ended 30 June 2020 to approximately HK\$79.6 million for the six months ended 30 June 2021, representing an increase of HK\$48.7 million or approximately 157.6%.

Revenue analysis by geographical location

The following table sets forth the breakdown of the Group's revenue by geographical location during the three and six months ended 30 June 2021 with comparative figures for the corresponding period in 2020.

	Three months ended 30 June				Six months ended 30 June			
	2021 HK\$'000 (Unaudited)	% of the Group's total revenue	2020 HK\$'000 (Unaudited)	% of the Group's total revenue	2021 HK\$'000 (Unaudited)	% of the Group's total revenue	2020 HK\$'000 (Unaudited)	% of the Group's total revenue
Hong Kong	15,712	23.6	4,328	23.6	23,594	29.6	13,295	43.1
The PRC	50,210	75.5	13,958	76.3	55,443	69.7	17,090	55.4
Macau	581	0.9	13	0.1	581	0.7	473	1.5
	<u>66,503</u>	<u>100.0</u>	<u>18,299</u>	<u>100.0</u>	<u>79,618</u>	<u>100.0</u>	<u>30,858</u>	<u>100.0</u>

The increase in revenue during the six months ended 30 June 2021 compared to the corresponding period in 2020 was mainly due to the resumption of events as a result of the gradual lift of the anti-epidemic measures.

Cost of services

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 increased by approximately 91.4% from approximately HK\$31.3 million for the six months ended 30 June 2020 to approximately HK\$59.9 million for the six months ended 30 June 2021, which was in line with increase in revenue.

Gross profit/(loss) and gross profit/(loss) margin

Gross profit of the Group for the six months ended 30 June 2021 amounted to approximately HK\$19.7 million (for the six months ended 30 June 2020: gross loss of HK\$0.4 million), representing gross profit margin of approximately 24.7% (for the six months ended 30 June 2020: gross loss margin of 1.3%). The increase in gross profit was generally in line with the increase in revenue. The Group's gross profit for the six months ended 30 June 2021 was mainly attributable to the increase in number of events taken by the Group.

Other income

Other income represented government grants received from the PRC and Hong Kong governments during the six months ended 30 June 2021 and 2020. The decrease was due to an one-off government grant received from the Hong Kong government during the six months ended 30 June 2020.

Other (losses)/gains, net

Other net (losses)/gains of the Group mainly represented foreign exchange differences and gains on disposals of property, plant and equipment. The gains on disposals of property, plant and equipment incurred during the six months ended 30 June 2020 was non-recurring in nature.

Selling expenses

Selling expenses mainly comprised staff cost of the Group's sales and marketing department, advertising expenses and travel expenses of the sales department. The Group's selling expenses increased by approximately 33.3% from approximately HK\$1.2 million for the six months ended 30 June 2020 to approximately HK\$1.6 million for the six months ended 30 June 2021, which was in line with the increase 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.

The Group's administrative expenses decreased by approximately 17.5% from approximately HK\$16.0 million for the six months ended 30 June 2020 to approximately HK\$13.2 million for the six months ended 30 June 2021, which was mainly due to the decrease in non-recurring professional fees of approximately HK\$3.5 million incurred during the six months ended 30 June 2020 in respect of the proposed transfer of listing of the Company from GEM to Main Board of the Stock Exchange as announced in the announcement of the Company dated 20 May 2020.

Finance expenses, net

Net finance expenses of the Group mainly comprised interest expenses on borrowings and finance leases liabilities and bank interest income.

The Group's net finance expenses decreased by approximately 13.6% from approximately HK\$2.2 million for the six months ended 30 June 2020 to approximately HK\$1.9 million for the six months ended 30 June 2021, which was mainly due to the decrease in interest expenses on borrowings and partially offset by the decrease in bank interest income.

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.

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 qualifying group entity's first HK\$2 million of assessable profits under Hong Kong profits tax for the six months ended 30 June 2021 and 2020 are 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% on the estimated assessable profits for the six months ended 30 June 2021 and 2020.

Macau complementary tax has been provided at the rate of 12% on the estimated assessable income exceeding MOP600,000 for the six months ended 30 June 2021 and 2020.

Profit/(loss) for the period

As a result of the foregoing, the Group's net profit amounted to approximately HK\$0.5 million for the six months ended 30 June 2021, representing an increase of approximately HK\$18.4 million as compared with net loss of approximately HK\$17.9 million for the six months ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily through cash generated from operating activities and interest-bearing borrowings. As at 30 June 2021, the Group had net current assets of approximately HK\$62.7 million (31 December 2020: HK\$62.6 million). Included in current liabilities were bank borrowings of approximately HK\$75.1 million (31 December 2020: HK\$75.2 million) which are due for repayment within one year or were repayable on demand.

As at 30 June 2021, the Group's current ratio was approximately 1.5 (31 December 2020: 1.5) and the Group's gearing ratio calculated based on the total debt (including borrowings and lease liabilities) at the end of the period divided by total equity at the end of the year was approximately 68.8% (31 December 2020: 71.6%).

The bank borrowings were denominated in Hong Kong dollars, and secured by total pledged time deposits of approximately HK\$61.0 million (31 December 2020: HK\$61.0 million) and corporate guarantee. These 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 borrowings was 4.4% per annum (31 December 2020: 4.7% 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\$38.0 million, which is unsecured, charging at fixed interest rate of 5% per annum and was fully repayable on 27 December 2023. As at 30 June 2021, the outstanding loan amounted to HK\$15.0 million.

CAPITAL STRUCTURE

As at 30 June 2021, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$136.8 million (31 December 2020: approximately HK\$134.0 million), comprising issued share capital and reserves.

PLEDGE OF ASSETS

As at 30 June 2021, an amount of approximately HK\$61.0 million (31 December 2020: HK\$61.0 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 six months ended 30 June 2021 (31 December 2020: Nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have any material capital commitments (31 December 2020: Nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group has no material contingent liabilities (31 December 2020: Nil).

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. During the six months ended 30 June 2021, the Group did not use any financial instrument 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 six months ended 30 June 2021. 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 commitments can meet its funding requirements from time to time.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 174 employees (30 June 2020: 202 employees) based in Hong Kong, the PRC and Macau. Employee costs (including the Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK\$28.8 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK\$22.2 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.

EVENTS AFTER BALANCE SHEET DATE

Save as disclosed in this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this announcement.

OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this announcement, none of the Directors or an entity connected with any of them had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, parent company or subsidiaries of the parent company was a party and subsisting at any time during the six months ended 30 June 2021 or at the end of 30 June 2021.

As at 30 June 2021 and at any time during the six months ended 30 June 2021, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this announcement, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2021 and up to the date of this announcement, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. After specific enquiries by the Companies, all Directors confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 June 2021 and up to the date of this announcement.

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 six months ended 30 June 2021.

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 June 2021, 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 held/ interested in <i>(Note 1)</i>	Percentage of shareholding
Mr. MP Wong <i>(Notes 2 and 3)</i>	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	290,000,000 (L)	72.5%
Mr. CB Wong <i>(Note 4)</i>	Interest of spouse	2,700,000 (L)	0.68%

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. The 290,000,000 Shares are held by Mega King Elite Investment Limited (“**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.

3. Mr. MP Wong is the founder of the Group, an executive Director and the chairman of the 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.
4. 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 held/ interested in <small>(Note 1)</small>	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 the Group, an executive Director and the chairman of the 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 June 2021, none of the Directors or the chief executives 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.

(b) Interests and short positions of the substantial shareholders and other persons in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2021, so far as it is known to the Directors, the following persons (other than a Director or chief executives 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 in (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:

1. The letter “L” denotes the person’s long position in the Shares.
2. 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.
3. 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 June 2021, 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 the corporate governance duties stipulated in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules, which includes developing and reviewing the Company’s policies and practices on corporate governance, training and providing 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 announcement.

During the six months ended 30 June 2021 and up to the date of this announcement, the Company has complied with the code provisions of the CG Code.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to the shareholders of the Company (the “**Shareholders**”) and the public. The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and its Shareholders. The Board, appropriate senior management and the external auditor will attend the general meetings to answer the Shareholders’ questions. In addition, 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 (www.avpromotions.com) has provided an effective communication platform to its Shareholders and the public.

Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, serves the Shareholders in respect of share registration, dividend payments and related matters.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 1 December 2017 (the “**Share Option Scheme**”). The summary of the principal terms of the Share Option Scheme is set out in Appendix IV to the prospectus of the Company dated 8 December 2017 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 June 2021.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Appendix 15 to the GEM Listing Rules which 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 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 has reviewed the interim results for the six months ended 30 June 2021. The Audit Committee is of the view that the unaudited condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, and that sufficient disclosures have already been made.

The unaudited condensed consolidated financial results for the six months ended 30 June 2021 have not been audited or reviewed by the Company's auditors.

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

Hong Kong, 11 August 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 Listed Company Information" 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.