



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 Report
2022



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FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group was approximately HK\$24.0 million for the six months ended 30 June 2022, representing a decrease of approximately 69.8% from approximately HK\$79.6 million for the corresponding period in 2021.
- The unaudited loss attributable to owners of the Company amounted to approximately HK\$25.0 million for the six months ended 30 June 2022 compared with unaudited profit attributable to owners of the Company amounted to approximately HK\$0.5 million for the corresponding period in 2021.
- The board of Directors (the “**Board**”) does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

The Board hereby announce the unaudited condensed consolidated results of the Group for the three and six months ended 30 June 2022 together with the unaudited comparative figures for the corresponding period in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and six months ended 30 June 2022

	Note	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	18,352	66,503	24,013	79,618
Cost of services	4	(24,249)	(41,471)	(38,367)	(59,902)
Gross (loss)/profit		(5,897)	25,032	(14,354)	19,716
Other income	3	886	220	1,013	394
Other losses, net		(7)	(2)	(106)	(10)
Selling expenses	4	(191)	(1,060)	(561)	(1,580)
Administrative expenses	4	(6,556)	(6,850)	(13,096)	(13,183)
Operating (loss)/profit		(11,765)	17,340	(27,104)	5,337
Finance income	6	194	38	270	85
Finance expenses	6	(1,003)	(982)	(2,045)	(1,967)
Finance expenses – net		(809)	(944)	(1,775)	(1,882)
(Loss)/profit before income tax		(12,574)	16,396	(28,879)	3,455
Income tax credit/(expenses)	7	1,761	(4,361)	3,831	(2,936)
(Loss)/profit for the period attributable to owners of the Company		(10,813)	12,035	(25,048)	519
Basic and diluted (losses)/earnings per share attributable to owners of the Company (HK cents)	9	(2.70)	3.01	(6.26)	0.13

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2022

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(Loss)/profit for the period	(10,813)	12,035	(25,048)	519
Other comprehensive (expense)/income: <i>Item that may be reclassified to profit or loss</i>				
Currency translation differences	(4,187)	2,861	(3,730)	2,264
Total comprehensive (expense)/income for the period	(15,000)	14,896	(28,778)	2,783
Total comprehensive (expense)/income for the period attributable to owners of the Company	(15,000)	14,896	(28,778)	2,783

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	89,443	89,826
Right-of-use assets		7,516	10,008
Pledged time deposits		15,000	15,000
Prepayments and deposits	11	7,895	6,091
		119,854	120,925
Current assets			
Trade receivables	11	46,597	86,084
Contract assets		14,826	10,388
Prepayments, deposits and other receivables	11	25,887	19,977
Pledged time deposits		47,204	46,670
Cash and cash equivalents		16,577	19,414
		151,091	182,533
Total assets		270,945	303,458
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		1,434	5,164
Other reserves		5,314	5,314
Retained earnings		47,702	72,750
Total equity		100,351	129,129

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		8,457	8,457
Borrowings	14	21,377	22,598
Lease liabilities		1,224	2,319
		31,058	33,374
Current liabilities			
Trade and bills payables	13	43,624	40,193
Accruals and other payables	13	14,283	10,728
Borrowings	14	75,158	77,362
Lease liabilities		3,015	4,355
Current income tax liabilities		3,456	8,317
		139,536	140,955
Total liabilities		170,594	174,329
Total equity and liabilities		270,945	303,458

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 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
As at 1 January 2022						
(Audited)	4,000	41,901	5,164	5,314	72,750	129,129
Comprehensive expense						
Loss for the period	-	-	-	-	(25,048)	(25,048)
Other comprehensive expense						
Currency translation differences	-	-	(3,730)	-	-	(3,730)
Total comprehensive expense	-	-	(3,730)	-	(25,048)	(28,778)
As at 30 June 2022						
(Unaudited)	4,000	41,901	1,434	5,314	47,702	100,351

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operation	15,872	10,846
Income tax paid	(774)	(1,593)
Net cash generated from operating activities	15,098	9,253
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,361)	(10,764)
Increase in pledged bank deposits	(300)	-
Bank interest income	270	85
Net cash used in investing activities	(9,391)	(10,679)
Cash flows from financing activities		
Net repayments of borrowings	(3,425)	(111)
Payments of loan interest	(1,944)	(1,767)
Principal elements of lease payments	(2,660)	(1,788)
Net cash used in financing activities	(8,029)	(3,666)
Net decrease in cash and cash equivalents	(2,322)	(5,092)
Cash and cash equivalents at beginning of period	19,414	17,235
Exchange (losses)/gains on cash and cash equivalents	(515)	62
Cash and cash equivalents at end of period	16,577	12,205

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. The ultimate controlling party of the Group is Mr. Wong Man Por ("Mr. MP Wong").

The shares of the Company (the "Shares") 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 2022 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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 2021, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 December 2022 and they should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2021. 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 2022:

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

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 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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from services	18,352	66,503	24,013	79,618

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

(a) (ii) *Other income*

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Government grants	886	220	1,013	394

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 loss 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 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	10,502	15,712	14,110	23,594
The PRC	7,712	50,210	9,600	55,443
Macau	138	581	303	581
	18,352	66,503	24,013	79,618

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Hong Kong	108,583	107,683
The PRC	9,076	10,869
Macau	2,195	2,373
Total non-current assets	119,854	120,925

4. EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Auditors' remuneration	175	300	350	600
Depreciation of property, plant and equipment	6,319	3,332	9,695	6,338
Depreciation of right-of-use assets	50	988	1,235	2,288
Employee benefit expenses	10,699	14,475	23,569	28,837
Entertainment expenses	74	292	192	497
Equipment rental cost	7,735	19,745	8,655	23,202
Freight expenses	1,633	3,491	1,722	3,599
Insurance expenses	373	446	611	669
Legal and professional fee	128	317	373	531
Material cost of consumables	877	3,178	941	3,544
Motor vehicles expenses	105	230	169	230
Short-term leases payments	795	577	1,383	577
Travel expenses	372	1,086	567	1,391
Other expenses	1,661	924	2,562	2,362
Total cost of services, selling expenses and administrative expenses	30,996	49,381	52,024	74,665

5. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wages, salaries and bonus	9,254	12,470	20,209	24,798
Pension costs – defined contribution plans	534	1,542	1,954	3,055
Other staff welfare and benefits	911	463	1,406	984
	10,699	14,475	23,569	28,837

6. FINANCE INCOME AND EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income				
– Bank interest income	194	38	270	85
Finance income	194	38	270	85
Interest expenses				
– Finance lease liabilities	(74)	(77)	(170)	(162)
– Borrowings	(929)	(905)	(1,875)	(1,805)
Finance expenses	(1,003)	(982)	(2,045)	(1,967)
Finance expenses – net	(809)	(944)	(1,775)	(1,882)

7. INCOME TAX (CREDIT)/EXPENSES

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

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax				
– Hong Kong	–	–	–	–
– The PRC	(1,761)	2,510	(3,831)	2,936
– Macau	–	–	–	–
	(1,761)	2,510	(3,831)	2,936
Deferred income tax	–	1,851	–	–
Income tax (credit)/expenses	(1,761)	4,361	(3,831)	2,936

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 six months ended 30 June 2022 and 2021 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 2022 and 2021.

Macau complementary tax has been provided at the rate of 12% on the estimated assessable profits exceeding MOP600,000 for the six months ended 30 June 2022 and 2021.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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

(a) Basic

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

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(10,813)	12,035	(25,048)	519
Weighted average number of shares in issue (thousands shares)	400,000	400,000	400,000	400,000
Basic (losses)/earnings per share (HK cents)	(2.70)	3.01	(6.26)	0.13

(b) Diluted

Diluted (losses)/earnings per share presented is the same as the basic (losses)/earnings per share as there were no potentially dilutive ordinary share outstanding as at 30 June 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

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

	HK\$'000
At 1 January 2022 (Audited)	89,826
Additions	9,361
Depreciation	(9,695)
Currency translation differences	(49)
At 30 June 2022 (Unaudited)	89,443

11. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade receivables	47,069	86,556
Less: Loss allowance	(472)	(472)
Trade receivables, net of provision	46,597	86,084
Rental deposits	564	564
Other deposits	179	188
Prepayments	31,714	24,254
Other receivables	1,325	1,062
Prepayments, deposits and other receivables	33,782	26,068
Less: Non-current portion	(7,895)	(6,091)
	25,887	19,977
	72,484	106,061

Trade receivables

The Group's trade receivables are with credit terms ranging from 90–120 days. The ageing analysis of trade receivables, net of provision, based on invoice date, is as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Current	2,727	7,063
0 to 3 months	10,926	48,545
3 to 6 months	4,943	23,981
Over 6 months	28,001	6,495
	46,597	86,084

12. SHARE CAPITAL AND SHARE PREMIUM*Authorised ordinary shares:*

	Number of shares	Nominal value of ordinary shares HK\$'000
At 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	2,000,000,000	20,000

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
At 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	400,000,000	4,000	41,901

13. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade and bills payables	43,624	40,193
Accrual expenses	12,638	9,952
Other payables	857	275
Contract liabilities	788	501
Accruals and other payables	14,283	10,728
Total	57,907	50,921

13. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

Trade and bills payables

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Up to 3 months	38,552	35,375
3 to 6 months	745	2,457
Over 6 months	4,327	2,361
	43,624	40,193

14. BORROWINGS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Current		
Bank borrowings (Note (a))	75,158	77,362
Non-current		
Bank Borrowings (Note (a))	6,377	7,598
Loan from a third party (Note (b))	15,000	15,000
Total	96,535	99,960

(a) *Bank borrowings*

As at 30 June 2022, bank borrowings were denominated in HK\$ and secured by pledged time deposits of HK\$62,204,000 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 3.6% (31 December 2021: 3.5%).

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

14. BORROWINGS (Continued)

(a) Bank borrowings (Continued)

The Group's bank borrowings were repayable as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within one year	75,158	77,362
Between one to two years	2,459	2,466
Between two to five years	3,918	5,132
	81,535	84,960

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within one year	65,259	65,949
Between one to two years	9,025	10,054
Between two to five years	7,251	8,957
	81,535	84,960

(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 2022 and 31 December 2021, the outstanding loan amount was 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. During the six months ended 30 June 2022, the Group was engaged in 196 events compared with 243 events for corresponding period in 2021. The Group derived approximately 45.1% of its total revenue (for the six months ended 30 June 2021: 68.1%) from exhibitions during the six months ended 30 June 2022, the majority of which took place in Hong Kong and the PRC.

Although the impact of the Pandemic has adversely affected the financial performance of the Group in the first half of current year, with the easing of the epidemic, the general public’s activities gradually returned to normal. We expect that the financial performance afterwards will be maintained to the level before the Pandemic. The Group is confident to further improve its profitability and bring value to its stakeholders in the long run.

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.

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 decreased from approximately HK\$79.6 million for the six months ended 30 June 2021 to approximately HK\$24.0 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$55.6 million or approximately 69.8%.

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 2022 with comparative figures for the corresponding periods in 2021.

	Three months ended 30 June				Six months ended 30 June			
	2022		2021		2022		2021	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Hong Kong	10,502	57.2	15,712	23.6	14,110	58.7	23,594	29.6
The PRC	7,712	42.0	50,210	75.5	9,600	40.0	55,443	69.7
Macau	138	0.8	581	0.9	303	1.3	581	0.7
	18,352	100.0	66,503	100.0	24,013	100.0	79,618	100.0

The decrease in revenue was mainly due to the decrease in number of events taken by the Group for the six months ended 30 June 2022 due to postponement and rescheduling of events by the organisers in Hong Kong, the PRC and Macau, closure of venues across the infected regions and emergency public health measures and various actions such as quarantine order, travel alert or travel restriction imposed by the local government to prevent the spread of the Pandemic.

Cost of services

Cost of services mainly comprised of equipment rental cost, depreciation of property, plant and equipment, employee benefit expenses paid to front line on-site technical staff, material cost of consumables and freight expenses of equipment delivery. The Group's cost of services decreased by approximately 35.9% from approximately HK\$59.9 million for the six months ended 30 June 2021 to approximately HK\$38.4 million for the six months ended 30 June 2022, which was in line with decrease in revenue.

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

Gross loss of the Group for the six months ended 30 June 2022 amounted to approximately HK\$14.4 million (for the six months ended 30 June 2021: gross profit of HK\$19.7 million), representing gross loss margin of approximately 60.0% (for the six months ended 30 June 2021: gross profit margin of 24.7%). The increase in gross loss and gross loss margin was generally in line with the decrease in revenue and cost of services which was analysed above and the depreciation of property, plant and equipment was charged irrespective of the level of revenue.

Other income

Other income represented government grants received from the PRC and Hong Kong governments during the six months ended 30 June 2022 and 2021. The increase was due to an one-off government grant received from the Hong Kong government during the six months ended 30 June 2022.

Selling expenses

Selling expenses mainly comprised staff cost and travel expenses of the Group's sales and marketing department and advertising expenses. The Group's selling expenses decreased by approximately 62.5% from approximately HK\$1.6 million for the six months ended 30 June 2021 to approximately HK\$0.6 million for the six months ended 30 June 2022, 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.

The Group's administrative expenses decreased slightly by approximately 0.8% from approximately HK\$13.2 million for the six months ended 30 June 2021 to approximately HK\$13.1 million for the six months ended 30 June 2022.

Finance expenses, net

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

The Group's net finance expenses decreased by approximately 5.3% from approximately HK\$1.9 million for the six months ended 30 June 2021 to approximately HK\$1.8 million for the six months ended 30 June 2022, which was mainly due to the increase in bank interest income.

Income tax credit/(expenses)

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

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 six months ended 30 June 2022 and 2021 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 2022 and 2021.

Macau complementary tax has been provided at the rate of 12% on the estimated assessable profits exceeding MOP600,000 for the six months ended 30 June 2022 and 2021.

(Loss)/profit for the period

As a result of the foregoing, the Group's net loss amounted to approximately HK\$25.0 million for the six months ended 30 June 2022, representing an increase of loss of approximately HK\$25.5 million as compared with net profit of approximately HK\$0.5 million for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily through cash generated from operating activities and interest-bearing borrowings. As at 30 June 2022, the Group had net current assets of approximately HK\$11.6 million (31 December 2021: HK\$41.6 million). Included in current liabilities were bank borrowings of approximately HK\$75.2 million (31 December 2021: HK\$77.4 million) which are due for repayment within one year or were repayable on demand.

As at 30 June 2022, the Group's current ratio was approximately 1.1 (31 December 2021: 1.3) 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 period, was approximately 100.4% (31 December 2021: 82.6%).

The bank borrowings were denominated in Hong Kong dollars, and secured by total pledged time deposits of approximately HK\$62.2 million (31 December 2021: HK\$61.7 million) and the Company's corporate guarantee. The Group's bank borrowings carried floating rates at the Hong Kong Interbank Offered Rate plus a margin per annum. The weighted effective interest rate on the bank borrowings was 3.6% (31 December 2021: 3.5%).

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 2022, the outstanding loan amount was HK\$15.0 million (31 December 2021: HK\$15.0 million).

CAPITAL STRUCTURE

As at 30 June 2022, the capital structure of the Group consisted of (i) equity attributable to owners of the Company of approximately HK\$100.4 million (31 December 2021: HK\$129.1 million), comprising issued share capital and reserves; and (ii) debts which comprised borrowings as disclosed above.

PLEDGE OF ASSETS

As at 30 June 2022, an amount of approximately HK\$62.2 million (31 December 2021: HK\$61.7 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 2022 (31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group did not have any material capital commitments (31 December 2021: Nil).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group has no material contingent liabilities (31 December 2021: 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 six months ended 30 June 2022, the Group did not use any financial instrument for hedging purposes.

TREASURY POLICIES

The Group would review its financial management approach towards its treasury policies as and when appropriate, and maintained a healthy liquidity position throughout the six months ended 30 June 2022. 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed a total of 170 employees (30 June 2021: 174 employees) based in Hong Kong, the PRC and Macau. Employee costs (including the Directors' remuneration, wages, salaries, bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK\$23.6 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: HK\$28.8 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 THE REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this report.

OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this report, 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 2022 or at the end of 30 June 2022.

As at 30 June 2022 and at any time during the six months ended 30 June 2022, 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 report, at no time during the six months ended 30 June 2022 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 as defined in the Companies (Directors' Report) Regulation (Cap. 622D of the laws of Hong Kong) 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 2022 and up to the date of this report, 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 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 six months ended 30 June 2022 and up to the date of this report.

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 2022.

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 2022, the interests and short positions of the Directors or the chief executives 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 ^(Note 1)	Percentage of shareholding
Mr. MP Wong ^(Notes 2 and 3)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	290,000,000 (L)	72.5%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- The 290,000,000 Shares are held by Mega King 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.
- Mr. MP Wong is the founder of the Group, an executive Director, the chairman and the chief executive officer 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.

(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^(Note 1)	Percentage of shareholding
Mr. MP Wong ^(Note 1)	Mega King	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	1	100%
Mr. MP Wong ^(Note 1)	Jumbo Fame	Founder and beneficiary of a discretionary trust	100	100%

Note:

- Mr. MP Wong is the founder of the Group, an executive Director, the chairman and the chief executive officer 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 2022, 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 2022, 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:

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

Save as disclosed above, as at 30 June 2022, 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 PRACTICE

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 report.

During the six months ended 30 June 2022 and up to the date of this report, the Company has complied with the code provisions of the CG Code, except for the deviations of paragraph C.2.1 of Part 2 of the CG Code, which is explained in the paragraph below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Man Por is currently the chairman and the chief executive officer of the Company. Mr. MP Wong was re-designated as the chief executive officer with effect from 30 September 2021 following the resignation of the former chief executive officer. The Board is of the view that the vesting of the roles of chairman and chief executive officer in Mr. MP Wong is beneficial to the business operations and management of the Group as it would provide a strong leadership to the Group, considering that Mr. MP Wong has been managing the Group’s business and formulation of the Group’s strategic vision, direction and goals, as well as monitoring, evaluating and developing the Group’s business since the Group’s establishment. In allowing the two roles to be vested in the same person, the Board believes that both positions require in-depth knowledge and considerable experience of the Group’s business and Mr. MP Wong is the most suitable person to occupy both positions for effective management of the Group following the resignation of the former chief executive officer. Therefore, the Board considers that the deviation from provision C.2.1 of Part 2 of the CG Code is appropriate in the circumstance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is 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 2022.

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 Dr. Leung Wai Cheung, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee. Dr. Leung Wai Cheung 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 2022. 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 2022 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 2022

As at the date of this report, the executive Directors are Mr. Wong Man Por, Mr. Wong Hon Po and Mr. Wong Chi Bor, and the independent non-executive Directors are Dr. Leung Wai Cheung, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee.

This report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkex.com.hk for at least seven days from the date of its publication and on the Company’s website at www.avpromotions.com.