AV PROMOTIONS HOLDINGS LIMITED
AV 策劃推廣(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8419

Annual Report 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

Mr. Chow Chun To *(Chairman)*
Mr. Chen Yeung Tak
Mr. Cheung Wai Lun Jacky

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Wong Man Por *(Chairman)*
Mr. Chan Wing Kee
Mr. Chow Chun To

AUTHORISED REPRESENTATIVES

Mr. Wong Man Por
Mr. Lau Chun Pong *CPA, CPA (US)*

COMPLIANCE OFFICER

Mr. Wong Man Por

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CORPORATE INFORMATION (continued)

COMPANY SECRETARY

Mr. Lau Chun Pong *CPA, CPA (US)*

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STOCK CODE

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CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the audited consolidated annual financial statements of AV Promotions Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2018.

Following the remarkable milestone of the shares of the Company (the "**Shares**") being listed on the Stock Exchange ("**the Listing**") by way of placing and public offer (collectively the "**Share Offer**") on 21 December 2017 as a result of the Group's pragmatic yet aggressive efforts, we have continued to maintain our leading position in visual, lighting and audio solutions provider in Hong Kong, the People's Republic of China ("**PRC**") and Macau. We have strong capabilities for providing customized visual display solutions and technical support, large quantity and wide range of visual display equipment; professional management and technical staff with extensive knowledge and expertise. The management team has effectively expanded the Group's customer base and maintained growth in terms of overall sales and profit. The Group recognized a record high revenue of approximately HK$238.4 million for the year ended 31 December 2018, representing an increase of approximately HK$30.3 million or 14.6% as compared with the year ended 31 December 2017. The gross profit of the Group for the year ended 31 December 2018 increased by approximately 49.6% to approximately HK$72.6 million from HK$48.5 million for the year ended 31 December 2017. The Group's net profit was approximately HK$21.6 million for the year ended 31 December 2018, as compared with a loss of approximately HK$4.6 million for the year ended 31 December 2017, recorded by the Group as a result of the significant listing expenses.

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

The Board would like to extend its sincere thanks to the shareholders of the Company and the Group, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

Wong Man Por
Chairman

Hong Kong, 25 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau. During the year ended 31 December 2018, we participated in aggregate over 1,500 visual, lighting and audio projects, including but not limited to (i) various large scale auto shows in over 17 locations in the PRC; (ii) certain events for celebrating the 21st anniversary of the establishment of Hong Kong Special Administrative Region; (iii) certain events for celebration of the National Day of the PRC; (iv) Hong Kong's first e-sports and music festival and China Esports Carnival; (v) Macau Light Festival; (vi) conferences related to "One Belt, One Road", Asian Financial Forum, Internet Economy Summit and Global Tourism Economy Forum; (vii) luxury product launch; (viii) opening ceremony of new broadcast media in Hong Kong and (ix) beauty contest in Hong Kong.

The Group derived approximately 53.4% of its total revenue during the year ended 31 December 2018 from exhibitions (2017: 60.1%), the majority of which took place in Hong Kong and the PRC. The remainder of the Group's revenue was attributable to other events, including ceremonies, conferences, concerts, TV shows, product launches and others type of events.

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 21 December 2017 (the "**Listing** "). The net proceeds raised from Listing have strengthened the Group's cash flow and the Group will implement its future plans, which include (i) the acquisition of advanced visual, lighting and audio equipment; (ii) setting up a new studio in Shanghai; and (iii) improving operating efficiency – the development of a new backdrop construction team and hiring technicians as set out in the prospectus of the Company dated 8 December 2017 in relation to the Share Offer (the "**Prospectus**") .

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

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects could be affected by a number of risks and uncertainties including market risk, credit risk and liquidity risk. The risk management policies and practices of the Group are shown in note 3 to the consolidated financial statements in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

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

The following table sets out a breakdown of the number of events and the Group's revenue by events during the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017.

	Year ended 31 December					
	2018			2017		
	Number of projects	**HK$'000**	**% of the Group's total revenue**	Number of projects	HK$'000	% of the Group's total revenue
Exhibition	**555**	**127,367**	**53.4**	536	125,110	60.1
Ceremony	**357**	**54,539**	**22.9**	144	26,937	12.9
Conference	**209**	**19,677**	**8.2**	154	15,489	7.4
Concert	**68**	**4,238**	**1.8**	74	10,162	4.9
TV show	**96**	**7,091**	**3.0**	112	9,912	4.8
Product launch	**42**	**5,326**	**2.2**	50	10,119	4.9
Others (Note)	**190**	**20,204**	**8.5**	311	10,407	5.0
Total	**1,517**	**238,442**	**100.0**	1,381	208,136	100.0

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

During the year ended 31 December 2018, the Group principally derived its revenue from exhibitions which accounted for approximately 53.4% of the Group's total revenue (2017: 60.1%). The Group's revenue increased from approximately HK$208.1 million for the year ended 31 December 2017 to approximately HK$238.4 million for the year ended 31 December 2018, representing an increase of approximately 14.6%.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Revenue analysis by geographical location

The following table sets out the revenue of the Group by geographical location during the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017.

	Year ended 31 December			
	2018		2017	
	HK$'000	%	HK$'000	%
The PRC	122,237	51.3	124,501	59.8
Hong Kong	100,923	42.3	66,110	31.8
Macau	15,282	6.4	17,525	8.4
Total	238,442	100.0	208,136	100.0

The increase in revenue was due to the growth in revenue volumes and rise in average equipment rental prices for small and medium scale exhibitions held in Hong Kong during the year ended 31 December 2018. Therefore, the Group had a higher revenue in Hong Kong for the year ended 31 December 2018 as compared with the year ended 31 December 2017.

Cost of services

The following table sets out the components of the cost of services of the Group during the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017.

	Year ended 31 December			
	2018		2017	
	HK$'000	%	HK$'000	%
Equipment rental cost	71,779	43.3	78,752	49.3
Employee benefit expenses	38,794	23.4	33,854	21.2
Material cost of consumables	20,465	12.3	14,393	9.0
Depreciation of property, plant and equipment	12,962	7.8	13,569	8.5
Freight expenses	9,123	5.5	6,399	4.0
Travel expenses	6,655	4.0	6,726	4.2
Other expenses	6,043	3.7	5,913	3.8
	165,821	100.0	159,606	100.0

Equipment rental cost

Equipment rental cost primarily represents the cost from renting of equipment from independent third parties to cater for our extra equipment needs due to (i) the availability of our equipment taking into account the schedule of our projects; (ii) the location of our projects; and (iii) our requirement of specific equipment to carry out specific effects desired by our customers. For the year ended 31 December 2018, equipment rental cost represented approximately 43.3% (2017: 49.3%) of total cost of services.

Employee benefit expenses

Employee benefit expenses of the Group mainly represent salaries, wages, staff benefit (including mandatory provident funds, social insurance and housing provident funds, if applicable) paid to our front line on-site technical and maintenance staff and fees paid for the services provided by ad hoc manpower. For the year ended 31 December 2018, labour costs represented approximately 23.4% (2017: 21.2%) of total cost of services.

Material cost of consumables

Material cost mainly represent the cost of consumables used for the on-site installation and maintenance and backdrop materials. For the year ended 31 December 2018, material costs of consumables represented approximately 12.3% (2017: 9.0%) of total cost of services.

Depreciation of property, plant and equipment

Depreciation charges under cost of services mainly represent depreciation on the Group's visual and display equipment for the provision of its services. For the year ended 31 December 2018, depreciation of our visual and display equipment represented approximately 7.8% (2017: 8.5%) of total cost of services.

Freight expenses

Freight expenses mainly represent logistics and transportation cost of delivering our equipment to and from the warehouse and the project locations. For the year ended 31 December 2018, freight expenses represented approximately 5.5% (2017: 4.0%) of total cost of services.

Travel expenses

Travel expenses mainly represent travelling expenses of our technical staff and ad hoc manpower to and from project sites, and their hotel accommodation at the project sites. From time to time the project location of our customers might require staff travelling; cost in association with such travelling was recorded as travelling expense as part of the cost of services. For the year ended 31 December 2018, travel expenses represented approximately 4.0% (2017: 4.2%) of total cost of services.

Gross profit and gross profit margin

Gross profit of the Group for the year ended 31 December 2018 amounted to approximately HK$72.6 million (2017: HK$48.5 million), representing gross profit margin of approximately 30.5% (2017: 23.3%). The increase of the gross profit margin was mainly attributable to (i) the increase in revenue volumes and average equipment rental prices; and (ii) the increase in gross profit margin of the Group's equipment rental service due to a better mixture of our products and services with higher profit margins.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Other losses, net

Other losses, net of the Group mainly represent foreign exchange differences and the loss on disposal of property, plant and equipment. The Group's other losses increased by approximately 58.1% from approximately HK$0.4 million for the year ended 31 December 2017 to approximately HK$0.7 million for the year ended 31 December 2018.

Selling expenses

Selling expenses mainly comprise staff cost of our Group's sales and marketing department, entertainment expense in association with business solicitation, advertising expense and travel expense of our sales department. The Group's selling expenses slightly increased by approximately 1.1% from approximately HK$4.1 million for the year ended 31 December 2017 to approximately HK$4.1 million for the year ended 31 December 2018.

Administrative expenses

The administrative expenses of the Group mainly include administrative staff costs, rent and rate, and other sundry expenses. The Group's administrative expenses decreased by approximately 15.1% from approximately HK$41.1 million for the year ended 31 December 2017 to approximately HK$34.9 million for the year ended 31 December 2018, primarily due to the recognition of the Listing expenses of approximately HK$14.0 million incurred for the preparation of the Listing during the year ended 31 December 2017.

Finance expenses, net

The finance expenses, net of the Group mainly consist of interest on bank borrowings (which were wholly repayable within five years), interest expenses on obligations under finance leases and interest income from daily bank balance and deposit. The Group's finance expenses, net increased by approximately 22.5% from approximately HK$4.4 million for the year ended 31 December 2017 to approximately HK$5.4 million for the year ended 31 December 2018 which was mainly due to the increase in interest rate on the bank borrowings.

Income tax expenses

The Group is subject to income tax on an enterprise basis, based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate in. During the years ended 31 December 2018 and 2017, PRC Enterprise Income Tax has been provided at the rate of 25.0%. Pursuant to the enactment of two-tiered profit tax rates issued by the Inland Revenue Department ("IRD") of Hong Kong from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax for the year ended 31 December 2018 is subject to a tax rate of 8.25%, while the remaining assessable profits are subject to a tax rate of 16.5%. Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended 31 December 2017.

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

For the year ended 31 December 2018, the weighted average applicable tax rate was 20.9% (2017: (76)%). The change from a negative to a positive weighted average applicable tax rate for the year ended 31 December 2017 and 31 December 2018 were mainly due to changes in profitability of the Group subsidiaries in respective countries and the non-recurring listing expenses incurred for the year ended 31 December 2017.

Profit/(loss) for the year

As a result of the foregoing, the Group's net profit was approximately HK$21.6 million for the year ended 31 December 2018, representing an increase of approximately HK$26.2 million as compared with a loss of approximately HK$4.6 million for the year ended 31 December 2017. The improvement was primarily attributable to (i) the increase in revenue volumes and average equipment rental prices; (ii) the increase in the overall gross profit margin of the Group's equipment rental service due to a better mixture of our products and services with higher profit margins; and (iii) the recognition of the listing expenses of HK$14.0 million in connection with the Listing of the Company in December 2017.

Liquidity and Financial Resources

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowings. As at 31 December 2018, the Group's current assets exceeded its current liabilities by approximately HK$18.2 million (2017: HK$47.5 million). Included in current liabilities were bank borrowings of approximately HK$11.3 million (2017: HK$50.2 million) which are due for repayment within one year.

As at 31 December 2018, the Group's current ratio was approximately 1.2 (2017: 1.4) and the Group's gearing ratio calculated based on the total debt at the end of the year divided by total equity at the end of the year was approximately 0.6 (2017: 1.9). The decrease of the Group's gearing ratio was mainly due to the decrease in bank and other borrowings.

As at 31 December 2018, the total available banking facilities (including coutitsed and utilised amount) of the Group was HK$48.8 million.

The bank borrowings were denominated in HK$, and secured by a pledged time deposit of HK$44,000,000 and corporate guarantee. This bank borrowings carried floating rates at the Hong Kong Interbank Offered Rate plus a margin per annum. The weighted effective interest rate on these bank borrowing was 4.0% per annum (2017: 2.9% per annum).

On 27 December 2018, the Group entered into a loan agreement with an independent third party with a principal of HK$38,000,000, charging at fixed interest rate of 5% per annum and was fully repayable on 27 December 2023. The proceeds of the loan has been used for general working capital of the Group.

Capital Structure

The Shares were successfully listed on GEM of the Stock Exchange on 21 December 2017. There has been no change in the capital structure of the Group since then. As at 31 December 2018, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$99.9 million (2017: approximately HK$80.6 million), comprising issued share capital and reserves.

Pledge of Assets

As at 31 December 2018, an amount of approximately HK$44.0 million (2017: approximately HK$64.0 million) of pledged time deposits were pledged to a bank to secure bank facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Operating lease commitments

As at 31 December 2018, the Group had operating lease commitments in respect of our rented office and warehouse of approximately HK$17.2 million (2017: approximately HK$11.3 million).

Significant Investments, Material Acquisitions and Disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities (2017: Nil).

Exposure to Fluctuations in Exchange Rates

The Group's revenue and costs are primarily denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the year, the Group did not use any financial instruments for hedging purposes.

Employees and Remuneration Policies

As at 31 December 2018, the Group employed a total of 190 employees (2017: 197 employees) based in Hong Kong, Macau and the PRC. Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK$64.5 million for the year ended 31 December 2018 (2017: approximately HK$54.9 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.

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

Business objectives as stated in the Prospectus (as defined below)	Actual business progress up to 31 December 2018
(i) Acquisition of advanced visual, lighting and audio equipment	(i) Acquired advanced visual, lighting and audio equipment of HK$20.2 million
(ii) Setting up a new studio in Shanghai	(ii) The Group required additional time to identify a suitable location for setting up the studio
(iii) Improving operating efficiency-development of a new backdrop construction team and hiring technicians	(iii) The Group has hired/internally transferred technicians to develop a backdrop construction team

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As disclosed in the 2017 Annual Report of the Company, the Group adjusted the use of proceeds in the same manner and same proportion as shown in the Allotment Result Announcement. An analysis of the utilisation of the net proceeds from the Listing date up to 31 December 2018 is set out below:

	Net proceeds HK$ million	Utilised amount from the Listing date up to 31 December 2018 HK$ million	Unutilised amount as at 31 December 2018 HK$ million
Acquisition of advanced visual, lighting and audio equipment (including equipment to be used in the new studio in Shanghai)	20.2	20.2	–
Setting up a new studio in Shanghai (excluding the cost of equipment purchase to display in the studio)	3.1	–	3.1
Improving operating efficiency-development of new backdrop construction team and hiring technicians	1.7	1.7	–
General working capital and other corporate use	2.6	2.6	–
	27.6	24.5	3.1

The Directors intend to continue to apply the remaining net proceeds in accordance with the uses and in the proportions as stated in the Prospectus. The unused net proceeds have been placed as interest bearing deposits with licensed financial institutions in Hong Kong.

Event after balance sheet date

Up to the date of this report, the Group has no subsequent event after 31 December 2018 which is required to disclose.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share option scheme

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2018.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2018 (the "**Reporting Period**").

Since the Listing, the Board has recognised that transparency and accountability are important to a listed company. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the "**Shareholders**") and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and 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.

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

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

Mr. Chow Chun To and Mr. Chan Wing Kee (being the independent non-executive Directors at the relevant time) were unable to attend the annual general meeting of the Company held on 20 June 2018 as they were obliged to be away for their business matters.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). After specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board committees of the Company. Further details of the Board committees are set out below in this report.

CORPORATE GOVERNANCE REPORT (continued)

The Board is entrusted with the overall responsibility to promote the success of the Company, and it is responsible for the direction and supervision of the Company's business and affairs, and the ultimate responsibility for day to day management of the Company which is delegated to the management. To this end, financial and operational information are provided to the Board for assessing the performance of the Group. For significant matters that are specifically delegated by the Board, the management must report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The management is responsible for the day-to-day management and operation of the Group and providing the Board with updates in a timely manner, giving an assessment of the Company's performance and position to enable the Board to discharge its duties.

The Board is responsible for, among others, performing the corporate governance duties, which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor training and to provide continuous professional development of the Directors and senior management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Code of Conduct and its compliance manuals (if any) applicable to the Group's Directors and employees; and

(e) to review the Group's compliance with the CG Code and its disclosure in the corporate governance report.

The Company has taken out director and officer liability insurance to cover liabilities arising from legal action against the Directors.

BOARD COMPOSITION

The Board comprises eight Directors, including four executive Directors and four independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Wong Man Por ("**Mr. MP Wong**") *(Chairman)*
Mr. Wong Hon Po ("**Mr. HP Wong**")
Mr. Wong Chi Bor ("**Mr. CB Wong**")
Ms. Fu Bun Bun *(Chief Executive officer)*

Independent Non-executive Directors

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

With the various experience of the executive Directors and independent non-executive Directors (the "**INEDs**") and having regard to the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualifications to maintain a sustainable business development of the Group in the long run. In recognition of the Company's commitment to a well-balanced Board, the nomination committee is entrusted to review the Company's human resources policy and recruitment process to ensure the effectiveness of such policy.

The details of Directors and relationship between the board members are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 51 to 54 of this report.

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer shall be separate and should not be performed by the same individual. During the year, the role of the Chairman is performed by Mr. MP Wong and the role of the Chief Executive Officer of the Company is performed by Ms. Fu Bun Bun. Code provision A.2.1 has therefore been complied with.

Number of Meetings and Directors' Attendance

The Board has established three committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), with delegated powers for overseeing particular aspects of the Company's affairs. Each of the committees of the Company has been established with written terms of reference.

The Board will conduct at least four regular meetings a year. The Directors can attend meetings in person or through electronic means of communication in accordance with the Company's articles of association (the "**Articles**"). Notices and agendas of regular Board meetings will be served to all Directors at least 14 days before convening. For all other Board and committee meetings, reasonable notice will be given.

During the year ended 31 December 2018, the Company held six Board meetings, five Audit Committee meetings, two Remuneration Committee meetings and one Nomination Committee meeting. All the minutes of the Board meetings and meetings of Board committees were recorded in sufficient details for the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

CORPORATE GOVERNANCE REPORT (continued)

	Attendance/Number of meetings				
Name of Directors	**Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meeting**
Executive Directors:					
Mr. Wong Man Por	6/6	–	–	1/1	1/1
Mr. Wong Hon Po	6/6	–	2/2	–	1/1
Mr. Wong Chi Bor	6/6	–	–	–	1/1
Ms. Fu Bun Bun	6/6	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Chow Chun To	6/6	5/5	–	1/1	0/1
Mr. Chen Yeung Tak	6/6	5/5	2/2	–	1/1
Mr. Cheung Wai Lun Jacky	6/6	5/5	–	–	1/1
Mr. Chan Wing Kee	6/6	–	2/2	1/1	0/1

The company secretary of the Company (the "**Company Secretary**") attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Appointment and Re-election of Directors

The Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The independent non-executive Directors should be appointed for a specific term and subject to re-election. Each of the independent non-executive Directors has entered into letter of appointment with the Company. The appointment letter of each of the independent non-executive Director is for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

Directors' Continuous Training and Professional Development

To assist the Directors' continuing professional development, the Company recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all of the Directors have participated in continuous professional development by attending training courses or reading relevant materials on the topics related to corporate governance and regulations. Records of the training received by the respective Directors are kept and updated by the Company Secretary.

CORPORATE GOVERNANCE REPORT (continued)

Independent Non-executive Directors

Mr. Chow Chun To, Mr. Chen Yeung Tak, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee were appointed as the independent non-executive Directors on 1 December 2017.

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Board consisted of four independent non-executive Directors during the Reporting Period, with at least one independent non-executive Drectors possessing appropriate professional qualifications or accounting or related financial management expertise. During the Reporting Period and as of the date of this report, the number of independent non-executive Directors represents more than one third of the Board as required under the GEM Listing Rules. As such, there is a strong independent element in the Board to provide independent judgement.

The independent non-executive Directors are experienced professionals with expertise in respective areas of accounting, finance and industry knowledge. With their professional knowledge and experience, the independent non-executive Directors serve an important function of advising the senior management on strategy development, and ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the Shareholders and the Company as a whole.

The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors to be independent pursuant to Rule 5.09 of the GEM Listing Rules.

BOARD COMMITTEE

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. Chow Chun To, Mr. Chen Yeung Tak and Mr. Cheung Wai Lun Jacky. Mr. Chow Chun To 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 and 5.29 of the GEM Listing Rules.

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

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, PricewaterhouseCoopers ("**PwC**"), and recommended the Board to re-appoint PwC as the Company's auditors in the financial year ending 31 December 2019, which is subject to the approval of shareholders at the forthcoming AGM. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018, the effectiveness of the risk management and internal control system of the Group.

CORPORATE GOVERNANCE REPORT (continued)

According to the current terms of reference, meetings of the Audit Committee shall be held at least four times a year and the external auditor may request a meeting if they consider necessary.

Details of the number of Audit Committee meetings held and Directors' attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 18 of this annual report.

Remuneration Committee

The Company established the Remuneration Committee in compliance with Appendix 15 to the GEM Listing Rules, which comprises two independent non-executive Directors, namely Mr. Chen Yeung Tak and Mr. Chan Wing Kee, and one executive Director, namely Mr. HP Wong. Mr. Chan Wing Kee is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but not limited to): making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policies; making recommendations to the Board on the remuneration packages of the Directors and senior management of the Group; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The full terms of reference setting out details of duties of the Remuneration Committee is available on both the GEM website and the Company's website.

The Remuneration Committee determines Directors' remuneration by reference to the benchmark of the market. The Company also looks into each individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Pursuant to the terms of reference of the Remuneration Committee, meeting shall be held at least once a year.

Details of the number of Remuneration Committee meetings held and Directors' attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 18 of this annual report.

Senior Management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2018 falls within the following bands:

HK$	Number of Individuals
Nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	3

Remuneration policy

The remuneration policy of the Group for the Directors and senior management was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and/or other merit payments are linked to the performance of the Group and the individual performance of each of the Directors and senior management.

Nomination Committee

The Company established the Nomination Committee in compliance with Appendix 15 to the GEM Listing Rules which comprises one executive Director, namely Mr. MP Wong, and two independent non-executive Directors, Mr. Chan Wing Kee and Mr. Chow Chun To. Mr. MP Wong is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include (but not limited to) review the structure, size and composition of the Board at least annually; identifying individuals suitably qualified to become Board members; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The full terms of reference setting out details of the authority, duties and responsibilities of the Nomination Committee is available on both the GEM website and the Company's website.

Pursuant to the terms of reference of the Nomination Committee, meeting shall be held at least once a year.

The Nomination Committee has reviewed the structure, size and composition of the Board and the Board diversity policy as well as discussed matters regarding the retirement and re-election of Directors.

Details of the number of Nomination Committee meetings held and Directors' attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 18 of this annual report.

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors understand and acknowledge their responsibility for ensuring that the Group's consolidated financial statements for each financial year, and are prepared to give a true and fair view of the state of affairs, the financial results and cash flows of the Group in accordance with the disclosure requirements of the Companies Ordinance (Cap. 622 under the Laws of Hong Kong) and the applicable accounting standards. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 55 to 59 of this report.

CORPORATE GOVERNANCE REPORT (continued)

Auditors' remuneration

During the year ended 31 December 2018, the remuneration for the audit and non-audit services provided by the Company's auditors to the Group was as follows:

Services rendered	HK$
Annual audit services	1,250,000
Non-audit services	–
Total	1,250,000

DIVIDEND POLICY

The dividend policy of the Company is to distribute to its shareholder the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the Shareholders subject to the criteria as set out below.

In accordance with the article of Association of the Company (the "Article of Association") and subject to the relevant laws of the Cayman Islands,, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant laws under the Cayman Islands.

Subject to compliance with applicable laws, rule, regulations and the Articles of Association, in deciding whether to propose an dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the Shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considers relevant.

The Board will review the dividend policy from time to time and reserve its sole and absolute right to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

NOMINATION POLICY

1. Objective

The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholder for election as Director at general meetings or appoint him/her to fill casual vacancies.

The Nomination Policy helps the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

2. Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) Reputation for integrity;

(2) Commitment in respect of available time and relevant interest; and

(3) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and duration of service.

These factors are for reference only and are not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

3. Nomination Procedures

3.1 Appointment of Directors

(1) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

CORPORATE GOVERNANCE REPORT (continued)

(4) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy will be subject to re-election by Shareholders at the first general meeting after his/her appointment, and individual(s) appointed by the Board as an addition to the Board will be subject to re-election by Shareholders at the next annual general meeting, in accordance with the Company's articles of association.

(5) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s)

3.2 Re-appointment of Directors

(1) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of each retiring independent non-executive Director.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association.

(5) The Shareholders approve the re-election of Directors at the annual general meeting.

3.3 The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of Directors.

4. Review of the Nomination Policy

4.1 The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy in accordance with the requirement as set out in the CG Code, which is summarised below:

The Board diversity policy of the Company specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Company discloses the composition of the Board in corporate governance report every year and the Nomination Committee oversees the implementation of the Board diversity policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Shareholders' Rights

(a) Convening of an extraordinary general meeting on requisition by shareholders

Pursuant to the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Shareholders also have the right to propose a person for election as a Director, the procedures of which are available on the websites of the Company and the Stock Exchange.

(b) Procedures for putting forward proposals at shareholders' meetings

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the Company Secretary by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening of an extraordinary general meeting on requisition by shareholders" above.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board, to the extent such information is publicly available, to the Company Secretary (who is responsible for forwarding communications relating to matters within the Board's preview to the executive Directors of the Company), communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee, and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company, in writing to the principal place of business of the Company in Hong Kong.

CORPORATE GOVERNANCE REPORT (continued)

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 its shareholders and the public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (http://www.avpromotions.com) has provided an effective communication platform to its shareholders and the public.

Constitutional Documents

For the Reporting Period, there had been no significant change in the Group's constitutional documents.

Company Secretary

Mr. Lau Chun Pong, the Company Secretary, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with senior management.

During the year ended 31 December 2018, the Company Secretary has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against misstatement or loss.

The Group has conducted an annual review on whether an internal audit department is required. Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit function. Even though the Group does not maintain an internal audit function, the Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

During the year ended 31 December 2018, the Group has carried out an internal control review of the implemented system and procedures, including areas covering financial, operational and risk management functions, and a follow-up review was also carried out after the Company implemented the recommended remedial measures. The Directors were satisfied that effective internal control and risk management measures appropriate to the Group were implemented properly and that no significant areas of weaknesses came into attention.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

AV Promotions Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is delighted to present its Environmental, Social and Governance Report for the year ended 31 December 2018 (the "**Report**"). This report aims at enhancing stakeholders' recognition of the Group's performance in terms of environment and social and understanding of the Group's strategy of sustainable development.

This Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 20 of the GEM Listing Rules. The Report is in line with the disclosure requirements of the GEM Listing Rules. The board of directors (the "Board") of the Group confirms its responsibility to ensure the completeness of the Environmental, Social and Governance Report, and confirms the accuracy, authenticity and completeness of the content herein upon review of the report.

The Group strives to foster sustainable development and undertake corporate responsibility. Therefore, while the Group actively develops and seeks opportunities, it also takes into consideration factors including environment, society and ethics so as to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group also values building good relationship with our stakeholders (including but not limited to customers, investors, shareholders, suppliers, employees and other organisations), aiming to understand and respond to their expectations. The Group will maintain close communication with stakeholders to satisfy expectations and demands from various stakeholders. In the course of preparing the Report, the Group conducted thorough review and assessment towards its existing environmental and social policies with aims to achieve better performance in aspects of environment, social, corporate governance and operation in the future and make more contributions to the communities where it operates.

SCOPE OF THE REPORT

The Report covers the Group's performance in terms of environment and society in the period from 1 January 2018 to 31 December 2018. All the information contained herein is from the relevant departments of the Group as well as stakeholders. Please refer to the index of the report for the disclosure of indicators herein.

POLICY OF SUSTAINABLE GOVERNANCE

The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau.

The Group strictly complies with local laws and regulations and has prepared a series of policies for corporate businesses and governance. Upon review of the Group's corporate governance practice, the Board confirms that it has complied with with all the provisions of the Corporate Governance Code set forth in the GEM Listing Rules throughout the financial year ended 31 December 2018. To achieve the business model of sustainable development, the Group has fully relied on the close cooperation and support of all stakeholders, including the Group's directors, investors, staff and customers. The Group undertakes that it will continue to strictly observe laws and regulations for its future businesses and improve the Group's sustainable performance in terms of environment and society on an ongoing basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

COMMUNICATION WITH STAKEHOLDERS

The Group values the opinions of stakeholders, and is committed to respond to their concerns and improving the Group's performance in sustainable development by optimizing our communication strategies and taking concrete actions. The Group has launched various measures in continuous efforts to improve communication with stakeholders. Below are the communication channels between the Group and stakeholders and their concerned topics.

Stakeholders	Concerned Topics	Communication Channels	Frequency
Investors and shareholders	Corporate governance, financial performance	Shareholders' meeting, financial reports and ESG report	Annually
Suppliers and customers	Product quality and customer service	Company website, E-mails, feedback from employees	Irregular
Employees	Compensation, health and safety, training and development	Regular internal meetings, internal complaint mechanism, training	Irregular
Government	Tax compliance, occupational safety	Proactive liaison with relevant government departments	Irregular
Community	Involvement in cultural and social development	Proactive liaison with the relevant bodies	Irregular

ENVIRONMENTAL POLICY AND RESOURCES MANAGEMENT MEASURES

The Group attaches great importance to environmental protection and implements sustainable initiatives in areas such as energy saving, water saving and waste management into its daily operations so as to minimise the use of resources. The Group is committed to uphold high environmental standards to fulfil relevant requirements under applicable laws or regulations during the operation of the business, including but not limited to by reducing energy consumption and pollutant discharge, responsibly using natural resources, and improving waste management. The Group has strived to reduce the direct and indirect impact of its operations on the environment by reducing unnecessary energy consumption and adopting environmentally friendly policies.

The nature of the Group's business does not involve in any significant impacts on the environmental and natural resources, nor do they create any air pollutant or greenhouse gas emissions directly or generate any hazardous or non-hazardous waste. The main source of energy consumption of the Group's business is electricity. For the year ended 31 December 2018, the Group has strictly complied with all the applicable environmental laws and regulations and was not subject to any environmental regulatory sanction.

The Group has adopted the following measures to protect the environment:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Emissions

i. Company vehicles are inspected and repaired regularly in order to enhance fuel efficiency and reduce exhaust emission; and

ii. Staff members are encouraged to use public transport for office duties whenever possible to save fuel and minimise emission.

Indoor air quality policy

i. No smoking is allowed in office areas;

ii. Air conditioners are cleaned regularly; and

iii. Office housekeeping is conducted every day.

Energy and resources management

It is the Group's policy to conserve energy and water, and to reduce waste and electricity consumption:

i. Room lights and air conditioners must be switched off when they are not in use;

ii. Choose high energy efficiency products;

iii. Adopt waste recycling and management.

Water consumption

i. Water tap is constantly inspected to avoid the dripping;

ii. Minimize water pressure; and

iii. Check water consumption regularly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Paper reduction

i. Deploy recycling bins to collect used paper products such as waste paper, posters, letters and envelopes;

ii. Place waste paper recycling bin next to printer to facilitate using printed paper;

iii. Save paper by double-sided printing;

iv. Write on both sides of papers;

v. office staff reminded to bring their own cups and avoid using paper cups;

vi. Reuse stationeries such as file folder and envelope;

vii. Other than formal documents, paperless working environment is promoted in the Group; and

viii. Use recycled paper whenever possible.

Other measures

i. Distribute stationaries on a needed basis and promote using used stationaries;

ii. Whenever the Group holds banquets, consumption of shark fin is prohibited;

iii. Order reasonable quantity and reduce waste;

iv. Deploy natural light and use energy-saving lightings, where feasible;

v. Switch computers to sleep mode instead of using screen savers; and

vi. Avoid irregular temperatures at offices and keep the air conditioning at a suitable temperature.

Resources Consumption

In the year ended 31 December 2018, the total electricity consumption of the Group was approximately 85,180 kWh, the total gasoline consumption was approximately 45,416 litres and the total water consumption was approximately 398 m^3.

Category of resources	Unit	Value	Per employee
Electricity	kWh	85,180	448.3
Gasoline	litre	45,416	239.0
Water	m^3	398	2.1

Greenhouse Gas Emissions

The Group's carbon emissions are composed of two parts, i.e. carbon emissions directly resulting from gasoline consumption (scope 1) and indirectly related to electricity consumption (scope 2). In the year, the total carbon emissions of the Group was approximately 167.9 tonnes.

Category of emissions	Unit	Value
Carbon emissions (scope 1)	tCO_2 e	123.0
Carbon emissions (scope 2)	tCO_2 e	44.9

In addition, the emissions of Sulfur oxide and Nitrogen oxide by the vehicles of the Group were 0.67kg and 25.77kg, respectively.

Air Pollutants	Unit	Value
Sulfur oxides (SO_x)	kg	0.67
Nitrogen oxides (NO_x)	kg	25.77

EMPLOYEE MANAGEMENT

Employment Policy and Labour Standards

The Group strictly obeys the relevant employment laws/regulations in recruitment and dismissal, and gives respect to their employees' diversified capacities and backgrounds. The Group is an equal opportunities employer, committed to eliminating gender, age, race, disability and religious discrimination in employment. A fair and structural staff performance assessment is set up for promotion and salary increment decisions. Staff appraisal is conducted annually to assess work performance. The Group respects human rights and has a zero-tolerance policy towards employment of forced and child labour. Upon joining the Group, each staff is required to fill a recruitment form. If the staff provides false identity/personal information, he/she would breach the Group's rules and regulations and will be dismissed immediately.

In addition to the Employment Ordinances, (Cap 57 of the Laws of Hong Kong) the Group also complies with the relevant labour laws and regulations in Hong Kong, Macau and the PRC, including the Labour Contract Law and the Provisions on Prohibition of Child Labour of the People's Republic of China. Anti-discrimination is an important factor considered in recruitment, assessment and dismissal. For any case in relation to discrimination and harassment, the Group will conduct earnest investigation and take appropriate actions at its discretion. In the year, the Group did not violate any law or regulation on labour employment, nor did it employ any child or forced labour. As to employee benefit, the Group offers provident fund and social security for employees, and the management of the Group regularly reviews the welfare and benefits scheme.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Remuneration and Welfare

The Directors consider that recruitment in the industry is competitive. To facilitate recruitment of competent staff, apart from basic salary, the Group also offers medical benefits and various bonus schemes.

Working hours and day-off

i. Our employees shall enjoy days off under the laws of the location they work at;

ii. Manager can request employee to work on the day off, but employee can elect not to. If the employee agrees, a day off can be arranged in other time, but the said day off shall be planned before the scheduled day off in the same month, or within 30 days after it;

iii. Our employees enjoy statutory holidays, paid annual leave, paid sick leave and paid maternity leave.

Employees' Background

As at 31 December 2018, the Company has 190 employees. The analysis of age, gender, employment type and geographic distribution of the Group's employees are as follows:

	Number	Percentage
By Region		
Hong Kong	72	38%
Macau	8	4%
the PRC	110	58%
By Gender		
Male	148	78%
Female	42	22%
By Type		
Management	30	16%
Non-management	160	84%
By Age		
Below 30 years old	59	31%
30-50 years old	116	61%
Above 50 years old	15	8%

As at 31 December 2018, 21 employees (about 11% of total employees) possess a bachelor's degree or above academic qualifications.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The analysis of the Group's employee turnover during the year ended 31 December 2018 are as follows:

	Number	Percentage of total employees
By Region		
Hong Kong	12	6%
Macau	2	1%
the PRC	11	6%
By Gender		
Male	22	12%
Female	3	2%
By Age		
Below 30 years old	15	8%
30-50 years old	8	4%
Above 50 years old	2	1%

Development and Training

The Group emphasizes greatly on the development and training of employees. Various opportunities for promotion, training and development are offered to employees based on the Group's business needs as well as employees' talents, experience and performance. The Group encourages employees to attend relevant training courses with an eye to facilitate employees' improvement of their personal skills and knowledge, thus enhancing the Group's efficiency and competitiveness. In the year, all employees of the Group attended the training on various topics, including occupational safety and health, and the coverage of training reached 100%. The average training hours for male/female/management/non-management staff are 1.5, 1.5, 1.6 and 1.5 hours respectively.

Health and Safety

The Group regularly reviews work environment and safety policy to ensure that all operations and facilities tally with standards and regulations. In addition, the Group provides training on occupational safety and health for newcomers, training on professional safety skills for new and existing employees in different departments and on different positions, and training and transmission of the latest occupational safety information on fire safety for all employees on a regular basis. As to the reporting mechanism, in case of any potential danger in office, employees can report the incident through the Group's safety reporting mechanism and the Group will immediately conduct investigation. For the year ended 31 December 2018, the Group did not have any non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination. There were no occupational injury accidents within the Group in the year ended 31 December 2018.

Our key healthy and safety measures include:

i. The Group is dedicated to provide a healthy and safe workplace to its employees. Promotion of occupational and health measures at workplace is essential to the operations of the Group. Appropriate occupational and health manuals are adopted by the core business units. Risk assessment of workstations is conducted, to identify and assess the risks to the safety and health of the employees, and to decide whether existing measures are adequate;

ii. First aid kits are located at convenient locations and are properly maintained;

iii. Maintain healthy and safe working condition. Workplace safety posters are displayed at prominent location in warehouses of the Group to remind staff. Machinery and equipment are inspected regularly to ensure safety;

iv. Establish emergency measures such as fire or explosion emergency plan; and

v. Establish mechanism to record industrial injury and analyse the cause, if any.

COMPLIANCE OPERATION

Supply Chain Management

The Group is committed to setting up of a long term supply and demand cooperation relationship, strictly selecting suppliers and prudently considering the certifications in relation to product/service quality and environmental protection. The Group also regularly assesses suppliers to establish a stable supply chain. In case of any disqualified supplier, the Group, upon confirmation through inspection, will immediately terminate the contract and resolve the issue to ensure product quality.

Our key measures on supply chain management include:

i. Goods from the suppliers must be inspected by the Group's technician, for both quality and safety;

ii. Electronic equipment must comply with national or international safety standards; and

iii. If the suppliers fail to meet the safety standard for their products, the Group will eliminate the aforesaid suppliers from the approved supplier list.

During the year ended 31 December 2018, the Group did not discover any key suppliers that had significant negative misbehavior on business ethics, environmental protection, human rights and labour practices. For the year ended 31 December 2018, 185 suppliers are from the PRC, 52 suppliers are from Hong Kong and 10 suppliers are from Macau.

Privacy Protection and Product/Service Responsibility

In the course of our business, the Group attaches great importance to the confidentiality of business information and prohibit our employees from disclosing customer information to others without permission to protect the privacy of customers. To maintain the security of customer information and safeguard the privacy of personal information is one of the core tasks of the Group. The Group strictly complies with the Personal Data (Privacy) Ordinance (Cap 486 of the Laws of Hong Kong). Through preparation of comprehensive service behavior and professional code of conduct, the Group prohibits any staff to transmit or disclose any unauthorized confidential information and customer information to ensure security and confidentiality of customer information.

The Group observes and protects intellectual property rights, and opposes any form of intellectual property infringement. The Group includes this provision in employee handbooks and ensures strict implementation through its corporate policies, systems and processes.

Our key measures on product/services responsibilities include:

i. The Group poses a fair marketing concept that commits not to make dishonest allegation of its competitors. Moreover, the Group would not acquire confidential information of a competitor via espionage, subordination of the competitor's employees or through any other improper means; and

ii. The Group commits to supply services that meet the reasonable expectations of its customers. The Group provides its customers with effective mechanisms to lodge complaints and manage such complaints with due care. Moreover, the Group respects the confidentiality of the Group's customers and their commercial information. The Group does not disclose such information to protect their privacy.

For the year ended 31 December 2018, no non-compliance issues were discovered on the aspects of privacy protection and product responsibility.

Anti-corruption

The Group has prepared a series of anti-corruption policies and clear code of conduct for employees to prevent bribery and corruption. In addition, the Group encourages stakeholders including suppliers, customers and employees to propose opinions on anti-corruption policies and measures of the Group, thus to continuously improve its anti-corruption management system. The Group has complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering for the year ended 31 December 2018.

Our key measures on anti-corruption include:

i. The Group refuses any bribery, corruption, extortion and money laundering activities. Employees shall report any misconduct to their managers; and

ii. The shares of the Group are listed on GEM of the Stock Exchange and the Group has strict guidelines for directors and senior management for any disclosure of conflict of interest. Besides, directors and senior management of the Group are required to take relevant trainings each year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Care for Community

As an enterprise citizen being responsible for society, the Group proactively fulfills its due corporate responsibilities, with a view to promote cultural exchange and joint development with the community. The Group also vigorously supports and encourages employees to participate in voluntary services of community and advocates care for community, and to make contributions to an inclusive community. During the year ended 31 December 2018, the Group made donations of HK$26,000 to various charitable organisations in Hong Kong.

ESG REPORTING GUIDE CONTENT INDEX

KPIs	ESG Report Index	Section/Remarks
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Environmental Policy and Resources Management Measures
KPI A1.1	The types of emissions and respective emissions data.	Environmental Policy and Resources Management Measures
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group's operations do not generate hazardous wastes.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Policy and Resources Management Measures
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Policy and Resources Management Measures

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

KPIs	ESG Report Index	Section/Remarks
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Policy and Resources Management Measures
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Policy and Resources Management Measures
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Policy and Resources Management Measures
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Policy and Resources Management Measures
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the Group's businesses.
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Policy and Resources Management Measures
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Policy and Resources Management Measures
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee Management – Employment Policy and Labour Standards, Employees' Background

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

KPIs	ESG Report Index	Section/Remarks
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Management – Employment Policy and Labour Standards, Employees' Background
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Management – Employment Policy and Labour Standards, Employees' Background
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Management – Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Employee Management – Health and Safety
KPI B2.2	Lost days due to work injury.	Employee Management – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Management – Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Management – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Management – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee Management – Development and Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

KPIs	ESG Report Index	Section/Remarks
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employee Management – Employment Policy and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Management – Employment Policy and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Management – Employment Policy and Labour Standards
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Compliance Operation – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Compliance Operation – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Compliance Operation – Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Compliance Operation – Privacy Protection and Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No relevant circumstances occurred.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Compliance Operation – Privacy Protection and Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

KPIs	ESG Report Index	Section/Remarks
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Compliance Operation – Privacy Protection and Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Compliance Operation – Privacy Protection and Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Compliance Operation – Privacy Protection and Product Responsibility
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance Operation – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No relevant circumstances occurred.
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Compliance Operation – Anti-corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Care for community

REPORT OF THE BOARD OF DIRECTORS

The Board are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau.

A fair review of the business of the Company, as well as a discussion and analysis of the Group's performance during the year ended 31 December 2018, and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 6 to 14 of this annual report. These discussions form part of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report, which forms part of this report, is set out on pages 27 to 40 of this annual report.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 60 to 63.

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

REPORT OF THE BOARD OF DIRECTORS (continued)

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 124 of this report.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

Details of the comparison of business objectives with actual business progress and use of proceeds are set out in the section headed "Management Discussion and Analysis" on pages 12 to 13 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2018 are set out in note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 19 to the consolidated financial statements.

SHARE OPTION SCHEME

No share options were granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 31 December 2018.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity in note 20 to the audited consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company did not have any reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance.

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 for the year ended 31 December 2018.

DIRECTORS

The Directors of the Company during the year ended 31 December 2018 and up to the date of this report were as follows:

Executive Directors

Mr. MP Wong *(Chairman)*
Mr. HP Wong
Mr. CB Wong
Ms. Fu Bun Bun

Independent Non-executive Directors

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

Pursuant to article 108(a) of the Articles, at each annual general meeting, at least one-third of the Directors shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Confirmation of Independence

Each independent non-executive Director has given the Company a written confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

Each of the executive Directors was entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three month's notice served by either party. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three month's notice served by either party. The term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Articles.

REPORT OF THE BOARD OF DIRECTORS (continued)

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable within one year without payment of compensation other than statutory compensation).

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument of the Directors is recommended by the Remuneration Committee by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities and performance.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 30 and 9 to the consolidated financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 51 to 54 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual 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 or at the end of the year ended 31 December 2018.

As at 31 December 2018, 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 year ended 31 December 2018 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 executive 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 or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

As at 31 December 2018, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Listing Date 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 from the Listing Date to the date of this report.

NON-COMPETITION UNDERTAKING

Each of Jumbo Fame Company Limited ("**Jumbo Fame**"), Mega King Elite Investment Limited ("**Mega King**") and Mr. MP Wong (together the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 1 December 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deed of non-competition" in the Prospectus.

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition and they were satisfied with the Covenantors' compliance with their undertaking for the year ended 31 December 2018.

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 the date of this report, 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 (Note 1)	Percentage of shareholding
Mr. MP Wong (Notes 2 & 3)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	300,000,000 (L)	75%

REPORT OF THE BOARD OF DIRECTORS (continued)

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. The 300,000,000 Shares are held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by Trident Trust Company (HK) Limited ("**Trustee**") acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Ms. Kong Suet Yan ("**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 300,000,000 Shares held by Mega King.

3. Mr. MP Wong is the founder of our Group, an executive Director and the chairman of our Company. Mr. MP Wong is the sole director of Mega King and therefore Mr. MP Wong is deemed or taken to be interested in the entire issued share of Mega King and the 300,000,000 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:

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

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

(b) Interests and short positions of the substantial shareholders and other persons in the shares and underlying shares of the Company

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

Name of shareholder	Capacity/Nature of Interest	Number of Shares held/interested in (Note 1)	Percentage of shareholding
Mega King (Note 2)	Beneficial owner	300,000,000 (L)	75%
Jumbo Fame (Note 2)	Interest of controlled corporation	300,000,000 (L)	75%
Trustee (Note 2)	Trustee	300,000,000 (L)	75%
Mrs. Wong (Note 3)	Interest of spouse	300,000,000 (L)	75%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. The 300,000,000 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 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**"). 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 the date of this report, 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.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

REPORT OF THE BOARD OF DIRECTORS (continued)

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Halcyon Capital Limited ("**Halcyon**") to be the compliance adviser. As informed by Halcyon, neither Halcyon nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement dated 13 April 2017 entered into between the Company and Halcyon (the "**Compliance Adviser Agreement**")) as at 31 December 2017. Pursuant to the Compliance Adviser Agreement, Halcyon has received and will receive fees for acting as the Company's compliance adviser.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the aggregate amount of revenue attributed to the Group's largest and the five largest customers accounted for approximately 22.5% and 43.2% (2017: 27.5% and 45.9%) of the total revenue of the Group, respectively. For the year ended 31 December 2018, the Group's cost of services from the largest and the five largest suppliers accounted for approximately 6.2% and 19.6% (2017: 7.0% and 19.9%) of the total cost of services of the Group, respectively. At no time during the year ended 31 December 2018 did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers as disclosed above.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group did not entered into any connected and continuing connected transactions which is required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

Remuneration to key management personnel of the Group, including Directors described in notes 9 to the Group's consolidated financial statements are de minimis transactions that are exempted under Rule 20.93 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance standards. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 26 of this report.

REPORT OF THE BOARD OF DIRECTORS (continued)

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive or similar rights under the laws of Caymans Islands or the Articles which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as he or she shall incur or sustain through his/her own fraud or dishonesty.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 190 employees in Hong Kong, the PRC and Macau (2017: 197 employees). The remuneration package the Group offered to the Group's employees includes wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of the Group's employees, which forms the basis of the Group's decisions with respect to salary raises, bonuses and promotions.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended 31 December 2018, there were no material and significant disputes between the Group and its employees, customers and suppliers.

The Group recognises employees as one of its valuable assets and strictly complies with the labour laws and regulations and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance. The Group provides good quality services to its customers. The Group also maintains effective communication and develops a long-term business relationship with the customers and suppliers.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of approval of this report.

REPORT OF THE BOARD OF DIRECTORS (continued)

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, who shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-appointment.

By order of the Board

Wong Man Por
Chairman
25 March 2019

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Man Por（黃文波）, aged 61, is the chairman, executive Director and compliance officer of our Company. He was first appointed as a Director on 23 February 2017 and was redesignated as an executive Director on 5 December 2017. Mr. MP Wong is the founder of our Group and his main responsibilities are to formulate our strategic vision, direction and goals and to monitor, evaluate and develop the business of our Group.

Mr. MP Wong attended secondary school education in Hong Kong. He established AV Promotions Limited ("**AVP**") with Mrs. Wong in 1991 and has been the director of AVP since then. Mr. MP Wong started his career in the visual, lighting and audio solutions industry as a frontline technician and has accumulated extensive knowledge in the field of audio-visual services industry. He has expertise in audio-visual consultation, design, integration and installation of audio-visual solution. In the past 25 years, he has led our Group from a small-scale start-up audio-visual solutions company in Hong Kong and presently into the reputable audio-visual solutions company that renders audio-visual and lighting advice and support in concerts, award ceremonies, exhibitions, conventions and various forms of corporate events in Hong Kong, the PRC and Macau.

Mr. MP Wong is the brother of Mr. HP Wong and Mr. CB Wong, who are also the executive Directors of our Company, and is the brother-in-law of Ms. Yau Lai Ling, the General Manager of our Group.

Mr. Wong Hon Po（黃漢波）, aged 54, is the executive Director of our Company. He was first appointed as a Director on 23 February 2017 and was redesignated as an executive Director on 5 December 2017. Mr. HP Wong attended secondary school education in Hong Kong and joined our Group in 1991 as technical manager. Since 2003, he has been mainly responsible for overseeing and monitoring the daily operation of our subsidiary in Shanghai. He is also responsible for introducing new technologies for the business of our Group, training our technical staff, evaluating the services provided by the outside contractors, implementing the management decisions. Mr. HP Wong has been in charge of providing our services to major projects of our customers in China and has over 25 years of experience in this industry.

Mr. HP Wong is the brother of Mr. MP Wong and Mr. CB Wong, who are also the executive Directors of our Company, and he is the brother-in-law of Ms. Yau Lai Ling, the General Manager of our Group.

Mr. Wong Chi Bor（黃志波）, aged 51, is the executive Director of our Company. He was first appointed as a Director on 23 February 2017 and was redesignated as an executive Director on 5 December 2017. Mr. CB Wong attended secondary school education in Hong Kong. He joined our Group as a technical director in 1991. Mr. CB Wong is responsible for the design and provision of the audio-visual services which are specifically tailored-made for our customers. He is also responsible for providing technical advice and supervision to the technical staff members of our Group. After he joined our Group, Mr. CB Wong has led our Group to provide services to major projects, including beauty competitions, concerts, award ceremonies and international congresses. He has over 25 years of experience in this industry.

Mr. CB Wong is the brother of Mr. MP Wong and Mr. HP Wong, who are also the executive Directors of our Company. Also, Mr. CB Wong's spouse, Ms. Yau is the General Manager of our Group.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENTS (continued)

Ms. Fu Bun Bun (傅彬彬), aged 45, is the executive Director of our Company. She was appointed as an executive Director on 1 December 2017. She joined our Group as marketing manager in March 1997. She was promoted to the marketing director of AV Shanghai in 2005. In 2015, she was appointed as the chief executive officer of our Company. She is responsible for the formulation and implementation of our marketing strategies and the development of our markets in the PRC. She is also responsible for the training of our sales and marketing staff. Since she joined our Group, she has served as the main point of contact between our customers, suppliers, outside contractors and our team.

Ms. Fu obtained a bachelor degree in History from The Chinese University of Hong Kong in December 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chun To (鄒振濤), aged 35, is our independent non-executive Director and was appointed to our Board on 1 December 2017. Mr. Chow has over 10 years of experience in accounting and auditing. From February 2008 to April 2011, he was an associate and then a senior auditor of Deloitte Touche Tohmatsu. From May 2011 to May 2013, Mr. Chow was the financial manager of Chiho-Tiande Group Limited, the shares of which are listed on the Stock Exchange (stock code: 976). From May 2013 to September 2014, he was the financial controller of JC Group Holdings Limited (currently known as Tonking New Energy Group Holdings Limited), the shares of which are listed on the Stock Exchange (stock code: 8326) from September 2014 to February 2017 he was the financial controller of In Construction Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1500). From February 2017 to January 2019, Mr. Chow was the Chief Financial Officer and Company Secretary of Shenzhen Yestock Automobile Service Co., Ltd.

Mr. Chow obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in December 2006 and has been a member of the Hong Kong Institute of Certified Public Accountants since July 2013.

From November 2016 until now, Mr. Chow is an independent non-executive director of Sing On Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8352).

From September 2017 to January 2019, Mr. Chow was also an independent non-executive director of Geotech Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1707).

Mr. Chen Yeung Tak (陳仰德), aged 34, is our independent non-executive Director and was appointed to our Board on 1 December 2017. Mr. Chen has over 12 years of experience in accounting, auditing and financial management. From 2013 until 2015, he was the accounting manager of PYI Corporation Limited, the shares of which were listed on the Stock Exchange (stock code: 0498). From January 2018 until now, Mr. Chen is also an independent non-executive director of Gain Plus Holdings Limited, the shares of which were listed on the Stock Exchange (stock code: 8522). From March 2015 until presently, he is the financial controller and company secretary of Kingland Group Holdings Ltd, the shares of which are listed on the Stock Exchange (stock code: 1751).

Mr. Chen obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in December 2006 and has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENTS (continued)

Mr. Cheung Wai Lun Jacky（張偉倫）, aged 45, joined our Group and was appointed as an independent non-executive Director on 1 December 2017. Mr. Cheung is primarily responsible for overseeing our Group with an independent perspective and judgment.

Prior to joining our Group, Mr. Cheung has been a consultant of Loeb & Loeb LLP (formerly known as Pang & Co. in association with Loeb & Loeb LLP), a law firm in Hong Kong, since April 2015. Mr. Cheung served as a solicitor in D.S. Cheung & Co., a law firm in Hong Kong, in June 2013 and was further promoted to a partner in July 2014. Mr. Cheung had been a senior associate in Mayer Brown JSM for the periods from November 2008 to September 2012, and from September 2001 to December 2007.

Mr. Cheung has been appointed as an independent non-executive director of Century Group International Holdings Limited 世紀集團國際控股有限公司 (stock code: 2113) since September 2016, and an independent non-executive director of Kin Pang Holdings Limited（建鵬控股有限公司）(stock code: 1722) since November 2017.

Mr. Cheung is a practising solicitor in Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in November 1998. He obtained a Postgraduate Certificate in Laws and a degree of Bachelor of Laws from The University of Hong Kong in June 1996 and November 1995 respectively.

Mr. Chan Wing Kee（陳榮基）, aged 60, is our independent non-executive Director and was appointed to our Board on 1 December 2017. Mr. Chan has over 20 years of experience in the exhibition industry. From November 1991 until July 1996, he was the director of operations (Asia Pacific) Reed Exhibitions Pte Ltd. From August 1996 until June 2005, he was the director of operations of Hong Kong Convention and Exhibition Centre. From November 2006 until November 2007, he was the executive director (Event Management) of Venetian Macau Resort Hotel. From January 2008 to January 2009, he was the Director of Venues (Asia) of Live Nation (HK) Limited. From June 2009 until June 2015, he was the general manager of Guangzhou Nan Fung Exhibition Co., Ltd.

From November 2015 until presently, Mr. Chan is the general manager of Zhengzhou International Convention and Exhibition Centre.

Mr. Chan was invited by the Egyptian Government to act as one of the International Consultants for the Cairo Expo City Project on design development, international tendering process, evaluation of design proposals and appointment of architect and designer.

Mr. Chan obtained a Master Degree in Business Administration (MBA) from the University of Western Ontario, Canada in October 2000.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENTS (continued)

SENIOR MANAGEMENT

Ms. Yau Lai Ling (邱麗玲), aged 52, joined our Group as accounting clerk in July 1991 and became our general manager of our Group since 2001. She is responsible for overseeing the personnel and administrative matters. She is also responsible for the operation of our audio-visual equipment rental and coordinating with our clients on the provision of audio-visual solution services.

She obtained a Higher Diploma in Business Management from the Hong Kong Productivity Council in 1997.

Ms. Yau is the spouse of Mr. CB Wong who is an executive Director of our Group. Also, she is the sister-in-law of Mr. MP Wong and Mr. HP Wong, who are both our executive Directors.

Mr. Ma Kwok Hung (馬國雄), aged 55, has been with the Group since August 2018. He has over 30 years of experience in auditing and accounting. Before joined the Group, he has been financial controller of a prestige trading company for over 14 years.

He obtained Bachelor of Business Administration in University of Lincoln, Bachelor and Master of Laws in University of Northumbria, Master of Professional Accounting in Victoria University, Australia and HK Polytechnic University, and Master of Arts in Chinese University of Hong Kong.

He is a Fellow of Hong Kong Institute of Certified Public Accountants and Chartered Association of Certified Accountants, UK and also a Chartered Building Engineers, UK.

COMPANY SECRETARY

Mr. Lau Chun Pong (劉振邦), aged 45, is the company secretary of our Group since 27 June 2018, and is mainly responsible for the company secretarial and related matters of our Group.

He obtained a Bachelor degree in business economics in University of California, Los Angeles with a Bachelor of Arts in 1997. Mr. Lau has been a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants since 2002.

He has over 15 years of experience in the accounting, auditing and financial management. From 2005 to 2006, he was the qualified accountant and company secretary of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司) (stock code: 8301). From 2008 to 2017, he was the financial controller and company secretary of O Luxe Holdings Limited (stock code: 860). He has been appointed as an independent non-executive director of China Longevity Group Limited (stock code: 1863) since June 2016, an independent non-executive director of China CBM Group Company Limited (stock code: 8270) since November 2017, the company secretary of Superb Summit International Group Limited (stock code: 1228) since May 2018, the company secretary of Grand T G Gold Holdings Limited (stock code: 8299) since January 2019. The shares of those companies are listed on the Stock Exchange.

Some English names of Chinese laws and regulations, government authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like for which no official English translation exists have been unofficially translated for identification purposes only. In the event of any inconsistency, the Chinese name will prevail.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AV Promotions Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of AV Promotions Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 60 to 123, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables and contract assets *Refer to notes 2.8, 2.9, 2.14, 3.1(a), 4(a), 17 and 23 to the consolidated financial statements* As at 31 December 2018, the Group has trade receivables of HK\$68,978,000 (2017: HK\$46,282,000) and contract assets of HK\$584,000 (2017: Nil). The credit terms were ranging from 0 to 90 days. To determine whether there is objective evidence of impairment, management considers a wide range of factors such as the creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment using the simplified approach under Hong Kong Financial Reporting Standard 9 "Financial Instruments" We focused on this area due to the use of significant judgement and estimates by management on the evaluation of the recoverability of trade receivables and contract assets.	Our procedures in relation to management's impairment assessment of trade receivables and contract assets included: • Understood and tested the key controls over credit control, debt collection and impairment assessment which was based on a consistent process as in previous years; • Tested aging of trade receivables and contract assets balances at year end on a sample basis to the underlying invoices and subsequent settlement; • Obtained confirmations, on a sample basis, from major debtors of the Group to confirm the trade receivables balances at year end; and for unreturned confirmations, performed alternative procedures by comparing details with contracts and bank-in slips; • discussed with management on the recoverability of the long outstanding receivables and with reference to supporting evidence provided by management, such as historical payment trend of the customers; and • assessed the appropriateness of the expected credit loss calculation by examining the key data inputs on a sample basis to assess the accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. Based on the procedures performed, we found the management's impairment assessment of trade receivables and contract assets to be supported by the available supporting evidence.

INDEPENDENT AUDITOR'S REPORT (continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Shiu Hay, Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2019

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue	6	**238,442**	208,136
Cost of services	8	**(165,821)**	(159,606)
Gross profit		**72,621**	48,530
Other losses, net	7	**(691)**	(437)
Selling expenses	8	**(4,117)**	(4,072)
Administrative expenses	8	**(34,903)**	(41,114)
Operating profit		**32,910**	2,907
Finance income	10	**255**	208
Finance expenses	10	**(5,608)**	(4,578)
Finance expenses – net		**(5,353)**	(4,370)
Profit/(loss) before income tax		**27,557**	(1,463)
Income tax expenses	12	**(5,920)**	(3,147)
Profit/(loss) for the year		**21,637**	(4,610)
Profit/(loss) for the year is attributable to:			
Owners of the Company		**21,645**	(4,610)
Non-controlling interests		**(8)**	–
		21,637	(4,610)
Basic and diluted earnings/(losses) per share for profit/(loss) attributable to owners of the Company (HK cents)	13	**5.4**	(1.52)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Profit/(loss) for the year	**21,637**	(4,610)
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss		
Currency translation differences	**(2,320)**	2,778
Total comprehensive income/(loss) for the year	**19,317**	(1,832)
Total comprehensive income/(loss) for the year is attributable to:		
Owners of the Company	**19,325**	(1,832)
Non-controlling interests	**(8)**	–
	19,317	(1,832)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	Note	HK$'000	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	94,020	79,846
Pledged time deposits	18(b)	44,000	64,000
Prepayments and deposits	17	1,475	516
		139,495	144,362
Current assets			
Trade receivables	17	68,978	46,282
Contract assets	23	584	–
Prepayments, deposits and other receivables	17	8,247	5,053
Cash and cash equivalents	18(a)	19,325	118,023
		97,134	169,358
Total assets		236,629	313,720
EQUITY			
Share capital	19	4,000	4,000
Share premium	19	41,901	41,901
Exchange reserve	20	(2,118)	202
Other reserves	20	5,314	5,314
Retained earnings		50,811	29,166
Capital and reserves attributable to owner of the Company		99,908	80,583
Non-controlling interests		(8)	–
Total equity		99,900	80,583
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	10,408	10,402
Borrowings	22	47,419	100,846
		57,827	111,248

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		As at 31 December	
		2018	2017
	Note	HK$'000	HK$'000
Current liabilities			
Trade and bills payables	21	**51,209**	54,938
Accruals and other payables	21	**7,779**	12,328
Borrowings	22	**11,449**	50,410
Deferred income tax liabilities	15	**1,619**	–
Current income tax liabilities		**6,846**	4,213
		78,902	121,889
Total liabilities		**136,729**	233,137
Total equity and liabilities		**236,629**	313,720

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 60 to 123 were approved by the Board of Directors on 25 March 2019 and were signed on its behalf.

Wong Man Por
Chairman and Executive Director

Wong Chi Bor
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2017	–	–	(2,576)	5,314	33,776	36,514	–	36,514
Comprehensive loss								
Loss for the year	–	–	–	–	(4,610)	(4,610)	–	(4,610)
Other comprehensive income								
Currency translation differences	–	–	2,778	–	–	2,778	–	2,778
Total comprehensive income/(loss)	–	–	2,778	–	(4,610)	(1,832)	–	(1,832)
Transactions with owners								
Issue of shares by Capitalisation Shares	3,000	(3,000)	–	–	–	–	–	–
Issue of shares pursuant to public offering	1,000	54,000	–	–	–	55,000	–	55,000
Listing expenses related to the issue of new shares	–	(9,099)	–	–	–	(9,099)	–	(9,099)
Total transactions with owners, recognised directly in equity	4,000	41,901	–	–	–	45,901	–	45,901
As at 31 December 2017	4,000	41,901	202	5,314	29,166	80,583	–	80,583
As at 1 January 2018	**4,000**	**41,901**	**202**	**5,314**	**29,166**	**80,583**	**–**	**80,583**
Comprehensive income								
Profit for the year	**–**	**–**	**–**	**–**	**21,645**	**21,645**	**(8)**	**21,637**
Other comprehensive loss								
Currency translation differences	**–**	**–**	**(2,320)**	**–**	**–**	**(2,320)**	**–**	**(2,320)**
Total comprehensive (loss)/income	**–**	**–**	**(2,320)**	**–**	**21,645**	**19,325**	**(8)**	**19,317**
As at 31 December 2018	**4,000**	**41,901**	**(2,118)**	**5,314**	**50,811**	**99,908**	**(8)**	**99,900**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2018	2017
	Note	HK$'000	HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		27,557	(1,463)
Adjustments for:			
Finance expenses	10	5,608	4,578
Depreciation of property, plant and equipment	14	13,633	14,284
Bank interest income	10	(255)	(208)
Losses on disposals of property, plant and equipment	7	381	68
Reversal of provision for long services payment	9	–	(500)
Operating profit before working capital changes		46,924	16,759
Change in working capital:			
Trade receivables		(25,365)	8,920
Contract assets		(584)	–
Prepayments, deposits and other receivables		(4,531)	(253)
Trade and bills payables		(3,341)	2,355
Accruals and other payables		(3,556)	2,123
Cash generated from operation		9,547	29,904
Income tax paid		(1,355)	(2,139)
Net cash generated from operating activities		8,192	27,765

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(28,249)**	(12,694)
Proceeds from disposals of property, plant and equipment	14	**2**	149
Bank interest income		**255**	208
Decrease/(increase) in pledged time deposits		**20,000**	(2,230)
Net cash used in investing activities		**(7,992)**	(14,567)
Cash flows from financing activities			
Proceed from issuance of ordinary shares		**–**	55,000
Transaction costs attributable to issuance of ordinary shares		**–**	(9,099)
Proceeds from borrowings		**68,000**	209,960
Repayments of borrowings		**(160,164)**	(221,221)
Repayments of finance lease		**(224)**	(198)
Payments of loan interest		**(5,608)**	(4,578)
Net cash (used in)/generated from financing activities		**(97,996)**	29,864
Net (decrease) increase in cash and cash equivalents		**(97,796)**	43,062
Cash and cash equivalents at beginning of year		**118,023**	72,447
Exchange (losses)/gains on cash and cash equivalents		**(902)**	2,514
Cash and cash equivalents at end of year	18(a)	**19,325**	118,023

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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

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

The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited on 21 December 2017 (the "Listing").

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

1.2 Reorganisation

Prior to the Listing, the Group underwent a reorganisation (the "**Reorganisation**"), pursuant to which the companies engaged in the Business were transferred to the Company. The Reorganisation involved the followings:

(a) On 23 February 2017, the Company was incorporated in Cayman Islands and is ultimately controlled by Mr. MP Wong.

(b) On 24 February 2017, AV Promotions (BVI) Limited, AVP (BVI) Limited and AVP (Macau) Investment Limited were incorporated in the BVI with their ordinary shares allotted and issued to the Company.

(c) On 7 April 2017, AV Promotions (BVI) Limited acquired the entire issued share capital of AV Promotions Limited at a consideration of HK$4,862,081 from Mr. MP Wong and Ms. Kong Suet Yan ("**Mrs. Wong**") (holding on trust for Mr. MP Wong), its then shareholders. The consideration was satisfied by the allotment and issue of 99 new shares in AV Promotions (BVI) Limited was credited and fully paid to the Company.

(d) On 10 April 2017, AVP (BVI) Limited and AVP (Macau) Investment Limited acquired the entire issued share capital of AVP (Macao) Limited at a cash consideration of Macau Pataca ("MOP") 300,000 in aggregate from Mr. MP Wong and Mr. Wong Chi Bor ("**Mr. CB Wong**") (as a representative party and registered owner for the benefit of Mr. MP Wong), the brother of Mr. MP Wong, its then shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business is mainly conducted through AVP (Macao) Limited, AV Promotions Limited and its subsidiaries (collectively referred as to the "**Operating Companies**"). Pursuant to the Reorganisation, the Business was transferred to and held by the Company. The Company and newly incorporated subsidiaries have not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in controlling shareholder and management. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business conducted through the Operating Companies and the consolidated financial statements of the Group have been prepared and presented as a continuation of the consolidated financial statements of the Operating Companies, with the results, assets and liabilities recognised and measured at the carrying amounts of the Business under the consolidated financial statements for all periods presented.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

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

(ii) Historical cost convention

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfer of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual improvements project	2014-2016 projects

The adoption of these standards and amendments did not have any impact on the amounts recognised in prior periods. Most of the standards and amendments will also not affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Definition of a Business	Note
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	21 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual improvements project	2015-2017 projects	1 January 2019

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

HKFRS 16 "Leases" – The Group is a lessee of its office buildings which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.22.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statements of financial position. Instead, all long-term leases must be recognised in the consolidated statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated statements of financial position. In consolidated income statements, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term.

As at 31 December 2018, the Group had aggregate minimum lease payments, which are not reflected in the consolidated statements of financial position, under non-cancellable operating lease amounting to HK$17,191,000 as set out in Note 26. A preliminary assessment indicates that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

Apart from the effects as outlined above, the Directors do not expect that the application of HKFRS 16 would have a material impact on the Group's financial position and results of operations. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019.

Other than those analysed above, the management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial instruments" ("HKFRS 9") and HKFRS 15 "Revenue from contracts with customers" ("HKFRS 15") on the Group's financial statements and the new accounting policies that have been applied from 1 January 2018 without restating comparatives, where they are different to those applied in prior periods.

(a) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model.

- Trade receivables
- Contract assets
- Other financial assets measured at amortised costs (including cash and cash equivalents, deposits and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each class of these assets. The impact of the change in impairment methodology is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) Adoption of HKFRS 9 (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables and contract assets calculated under HKAS 39 (Note 3.1(a)).

Other financial assets measured at amortised cost

The Group has applied the expected credit loss model to other receivables and deposits as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents and pledged time deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) Adoption of HKFRS 15

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings on 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under HKAS 18.

The impacts of the adoption of HKFRS 15 are as follows:

(i) Timing of revenue recognition

HKFRS 15 replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related interpretations on revenue recognition. The new standard is based on principle that revenue is recognised when controls of a good or service transfer to a customer. The standard permits either full retrospective or a modified retrospective approach of the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or services is transferred over time if the Group's performance:

– provides all the benefits received and consumed simultaneously by the customer; or

– creates and enhances an asset that the customer controls as the Group performs; or

– do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) Adoption of HKFRS 15 (Continued)

(i) Timing of revenue recognition (Continued)

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

Management has assessed the effect of HKFRS 15 on the Group's consolidated financial statements and considered the recognition basis of the revenue from provision of audio, lighting and visual solution services remains unchanged at the point over time when the services are rendered (Note 2.20).

The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained earnings as at 1 January 2018.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) Adoption of HKFRS 15 (Continued)

(ii) Presentation of contract assets and liabilities (Continued)

	As previously stated HK$'000	As at 1 January 2018 Reclassification under HKFRS 15 HK$'000	Opening balance HK$'000
Consolidated statement of financial position (extract)			
Current assets			
Trade receivables	286	(286)	–
Contract assets	–	286	286
	286	–	286
Current liabilities			
Accruals and other payables – Receipt in advance	1,803	(1,803)	–
Accruals and other payables – Contract liabilities	–	1,803	1,803
	1,803	–	1,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3.2 Separate consolidated financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate consolidated financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as board of directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statements during the financial year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the reducing balance method to allocate their costs to their residual values using their estimated depreciation rates, as follows:

Leasehold improvements	15%-30% per annum or over the remaining lease terms
Machinery and equipment	15%-30% per annum
Furniture and fixtures	15%-30% per annum
Motor vehicles	15%-30% per annum

The assets' residual values and depreciation rates are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses, net" in the consolidated income statements.

2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

From 1 January 2018, the Group classifies its financial assets as those to be measured at amortised cost.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.3 Measurement

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses – net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2.8.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(a) for further details.

2.8.5 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017 the Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposit and other receivables", "pledged time deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.5 Accounting policies applied until 31 December 2017 (Continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Trade and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.10 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.11 Pledged time deposits

Pledged time deposits represent fixed deposits pledged to the banks for issuance of bank facilities and bank borrowings.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade, bills and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Contract assets and contract liabilities

Upon entering in to a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customers. The combination of those rights and performance obligation give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligation. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligation. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Contract asset are assessed for expected credit losses in accordance with the policy set out in Note 2.8 and are reclassified to receivables when the right to the consideration has become unconditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statements in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Pursuant to the government regulations in HK and the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 5% to 20% of the wages for the year of those employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expenses for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Long service payments

The Group's net obligation in respect of long service payments to its employees upon termination of their employment or retirement when the employees have completed a required number of years of service to the Group are eligible for long service payment under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group.

Liabilities recognised in respect of long service payments are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRSs requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

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 customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

2.21 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.22 Leases

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance lease. Finance lease is capitalised at the lease's commencement at the lower of the fair value of the leased vehicle and the present value of the minimum lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases (Continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The motor vehicle acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the then shareholders or directors, where appropriate.

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk and cash flow and fair value interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Credit risk

The carrying amounts of cash at banks, trade and other receivables and deposits included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk management

The Group's bank balances are deposited in reputable banks with the credit rating ranging from BAA2 to AA1. As such, no significant credit risk is anticipated.

At 31 December 2018, the Group is exposed to concentration of credit risk to the extent that HK$26,744,000 (2017: HK$10,727,000) of trade receivables are attributable by the top five customers. The Group trades only with recognised and creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(ii) Impairment of financial assets

The Group's trade receivables and contract assets are subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified payment pattern, creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments to be most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, management has assessed that the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) for both trade receivables and contract assets is insignificant.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of aa debtor to engages in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in HK$ and Renminbi ("RMB"), functional currencies of the respective operating entities. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB.

Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in HK$ and RMB. The Group generates HK$ and RMB from sales in Hong Kong and the PRC respectively to meet its liabilities denominated in HK$ and RMB. The Group does not hedge its exposure to the foreign currencies.

As at 31 December 2018, there was no RMB denominated time deposit. As at 31 December 2017, the foreign exchange risk was insignificant as the RMB denominated time deposit has been settled during the year ended 31 December 2017.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group recorded other comprehensive loss of currency translation differences of HK$2,320,000 during the year ended 31 December 2018 (2017: income of HK$2,778,000). Foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are insignificant.

As at 31 December 2018 and 2017, foreign exchange risks on financial assets and liabilities denominated in currencies other than functional currencies were insignificant to the Group.

(ii) Cash flow and fair value interest rate risk

Other than the cash at banks and borrowings, the Company has no other significant interest-bearing assets or liabilities. The Group's cash at banks carry at low interest rates and the interest income of which is not significant.

The Group's exposure to changes in interest rates was mainly attributable to its borrowings from bank. Bank borrowings of variable rates exposed the Group to cash flow interest rate risk. The Group has not hedged its cash flow interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(ii) Cash flow interest and fair value rate risk (Continued)

At 31 December 2018 and 2017, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the pre-tax profit for each of the years ended 31 December 2018 and 2017 would have changed as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Pre-tax profit (decrease)/increase		
– 100 basis points higher	**(207)**	(1,509)
– 100 basis points lower	**207**	1,509

The Group is also exposed to fair value interest rate risk as a result of loan from third party which is at fixed rate. The Group monitors the related interest rate risk exposure closely.

At 31 December 2018 and 2017, if interest rates on loan from third party at fixed rate had been 100 Basis point higher/lower with all other variables held constant, the pre-tax profit for each of the years ended 31 December 2018 and 2017 would have changed as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Pre-tax profit (decrease)/increase		
100 basis points higher	**(380)**	-
100 basis points lower	**380**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for financial liabilities is prepared based on the scheduled repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Within 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
As at 31 December 2018					
Trade and bills payables	–	51,209	–	–	51,209
Accruals and other payables	–	7,039	–	–	7,039
Finance lease liabilities	–	151	–	–	151
Bank borrowings and interest payable	–	12,132	9,798	–	21,930
Loan from a third party	–	1,900	1,900	43,700	47,500
	–	72,431	11,698	43,700	127,829
As at 31 December 2017					
Trade and bills payables	–	54,938	–	–	54,938
Accruals and other payables	–	12,328	–	–	12,328
Finance lease liabilities	–	232	151	–	383
Bank borrowings and interest payable	34,900	18,683	104,506	–	158,089
	34,900	86,181	104,657	–	225,738

The table below summarises the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates or if floating, based on the current rates at the period-end date. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis – Bank borrowings and interest payable without taking into account of repayment on demand clause of certain bank borrowings, based on scheduled repayments			
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018	**12,132**	**9,798**	**–**	**21,930**
As at 31 December 2017	54,481	74,234	30,272	158,987

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statements of financial position) less cash and cash equivalents and pledged time deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Borrowing (Note 22)	58,868	151,256
Less:		
Cash and cash equivalents (Note 18(a))	(19,325)	(118,023)
Pledged time deposits (Note 18(b))	(44,000)	(64,000)
Net cash	(4,457)	(30,767)
Total equity	99,900	80,583
Gearing ratio	N/A	N/A

There were no changes in the Group's approach to capital management during the years ended 31 December 2018 and 2017.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires of the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of trade receivables and contract assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(a).

(b) Current and deferred income tax

The Group is subject to income tax in Hong Kong, Macau and the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**100,923**	66,110
The PRC	**122,237**	124,501
Macau	**15,282**	17,525
	238,442	208,136

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Customer A	**53,724**	57,278

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**133,555**	138,311
The PRC	**2,088**	1,747
Macau	**3,852**	4,304
Total non-current assets per consolidated statement of financial position	**139,495**	144,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 REVENUE

Revenue represents the net invoiced value of services rendered, after allowances for trade discounts. The Group's revenue recognised are as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Revenue from services	238,442	208,136

7 OTHER LOSSES, NET

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Losses on disposals of property, plant and equipment	(381)	(68)
Exchange differences	(310)	(369)
	(691)	(437)

8 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Material cost of consumables	20,464	14,393
Freight expenses	9,123	6,399
Equipment rental cost	71,779	78,752
Travel expenses	7,195	7,421
Depreciation of property, plant and equipment (Note 14)	13,633	14,284
Auditors' remuneration	1,250	1,180
Operating lease payments	6,095	4,647
Employee benefit expenses (Note 9)	64,481	54,889
Entertainment expenses	729	791
Motor vehicle expenses	457	566
Listing expenses	–	13,965
Other expenses	9,635	7,505
Total cost of services, selling expenses and administrative expenses	204,841	204,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Wages, salaries and bonus	56,001	48,055
Reversal of provision for long service payment	–	(500)
Pension costs	5,894	5,082
Other staff welfare and benefit	2,586	2,252
	64,481	54,889

Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group included four (2017: four) directors, whose emoluments were reflected in Note 30. The emoluments paid to the remaining one (2017: one) individual, are as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Wages and salaries	664	840
Bonus	226	70
Pension costs – defined contribution plans	18	18
	908	928

The emoluments of the remaining individual fell within the following bands:

	Year ended 31 December	
	2018	2017
	Number of individuals	Number of individuals
Nil – HK$1,000,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Interest income		
– Bank interest income	**255**	208
Finance income	**255**	208
Interest expenses		
– Finance lease liabilities	**(9)**	(15)
– Borrowings	**(5,599)**	(4,563)
Finance expenses	**(5,608)**	(4,578)
Finance expenses – net	**(5,353)**	(4,370)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11 SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2018 were as follows:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of equity attributable to the Company	
				Direct	Indirect
AVP (Macau) Investment Limited	BVI, limited liability company	Investment holding in BVI	US$1	100%	–
AVP (BVI) Limited	BVI, limited liability company	Investment holding in BVI	US$1	100%	–
AV Promotions (BVI) Limited	BVI, limited liability company	Investment holding in BVI	US$100	100%	–
AVP (Macao) Limited	Macau, limited liability company	Provision of visual, lighting and audio solution services in Macau	MOP300,000	–	100%
AV Promotions Limited	Hong Kong, limited liability company	Provision of visual, lighting and audio solution services in Hong Kong	HK$5,009,500	–	100%
Shanghai Aowei Wutai Shebei Limited Company* (上海奧維舞台設備有限公司)	The PRC, limited liability company	Provision of visual, lighting and audio solution services in PRC	US$300,000	–	100%
Guangzhoushi Aiwei Zhanlan Fuwu Limited Company* (廣州市艾維展服務有限公司)	The PRC, limited liability company	Provision of visual, lighting and audio solution services in PRC	RMB500,000	–	100%
Pop-up Design of Production Company Limited (Note)	Hong Kong, limited liability company	Inactive in Hong Kong	HK$1,000	–	51%

Note: The subsidiary is in the process of deregistration subsequent to the year ended 31 December 2018.

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12 INCOME TAX EXPENSES

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Current income tax		
– Hong Kong	**773**	–
– The PRC & Macau	**3,618**	4,182
	4,391	4,182
(Over)/under provision in prior years		
– Hong Kong	**(135)**	–
– The PRC & Macau	**39**	(214)
	(96)	(214)
Deferred income tax (Note 15)	**1,625**	(821)
Income tax expenses	**5,920**	3,147

Pursuant to the enactment of two-tiered profit tax rates issued by the Inland Revenue Department ("IRD") of Hong Kong from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax for the year ended 31 December 2018 is subject to a tax rate of 8.25%, while the remaining assessable profits are subject to a tax rate of 16.5%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits for the year ended 31 December 2017.

PRC Enterprise Income Tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profits for the years ended 31 December 2018.

Macau complementary tax has been provided at the rate of 12% (2017: 12%) on the estimated assessable income exceeding MOP600,000 (2017: MOP600,000) during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12 INCOME TAX EXPENSES (Continued)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the domestic income tax rate applicable to (losses)/profits of the Group's entities as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Profit/(loss) before income tax	27,557	(1,463)
Tax calculated at domestic tax rate in the respective countries	5,762	1,119
Over provision in prior years	(96)	(214)
Expenses not deductible for tax purposes	542	2,928
Income not subject to taxation	(123)	(686)
Tax concession (Note)	(165)	–
	5,920	3,147

Note: It represents the tax concession firm the enactment of two-tiered profit tax rates by the IRD.

For the year ended 31 December 2018, the weighted average applicable tax rate was 20.9% (2017: (76)%). The change from a negative to a positive weighted average applicable tax rate for the year ended 31 December 2017 and 31 December 2018 were mainly due to changes in profitability of the Group subsidiaries in respective countries and the non-recurring listing expenses incurred for the year ended 31 December 2017.

13 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 financial year.

	Year ended 31 December	
	2018	2017
Profit/(loss) attributable to owners of the Company (HK$'000)	21,645	(4,610)
Weighted average number of shares in issue (thousands shares)	400,000	303,014
Basic earnings/(losses) per share (HK cents)	5.4	(1.52)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13 BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE (Continued)

(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 31 December 2018 and 2017.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2017					
Opening net book value	188	78,144	817	1,844	80,993
Additions	–	12,237	419	609	13,265
Disposals (Note)	–	(5)	–	(212)	(217)
Depreciation	(127)	(13,569)	(174)	(414)	(14,284)
Currency translation difference	4	8	57	20	89
Closing net book value	65	76,815	1,119	1,847	79,846
At 31 December 2017					
Cost	1,511	166,240	3,132	3,968	174,851
Accumulated depreciation	(1,446)	(89,425)	(2,013)	(2,121)	(95,005)
Net book value	65	76,815	1,119	1,847	79,846
Year ended 31 December 2018					
Opening net book value	65	76,815	1,119	1,847	79,846
Additions	703	26,877	241	428	28,249
Disposals (Note)	–	(5)	(378)	–	(383)
Depreciation	(71)	(12,962)	(217)	(383)	(13,633)
Currency translation difference	–	(5)	(33)	(21)	(59)
Closing net book value	697	90,720	732	1,871	94,020
At 31 December 2018					
Cost	2,184	193,103	2,927	4,356	202,570
Accumulated depreciation	(1,487)	(102,383)	(2,195)	(2,485)	(108,550)
Net book value	697	90,720	732	1,871	94,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses of HK$12,962,000 (2017: HK$13,569,000) and HK$671,000 (2017: HK$715,000) have been charged to cost of services and administrative expenses respectively in the consolidated income statement for the year ended 31 December 2018.

Motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Cost – capitalised finance lease	**571**	571
Accumulated deprecation	**(158)**	(86)
Net book value	**413**	485

Note:

Proceeds from disposals of property, plant and equipment

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Net book amount	**383**	217
Losses on disposals	**(381)**	(68)
Proceeds from disposals of property, plant and equipment	**2**	149

15 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Deferred income tax assets:		
Recoverable after more than 12 months	**–**	320
Deferred income tax liabilities:		
Recoverable within 12 months	**(1,619)**	–
Recoverable after more than 12 months	**(10,408)**	(10,722)
Deferred income tax liabilities (net)	**(12,027)**	(10,402)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK$'000
Deferred income tax assets	
At 1 January 2017	–
Credited to the consolidated income statement	320
At 31 December 2017 and 1 January 2018	320
Charged to the consolidated income statement (Note 12)	**(320)**
At 31 December 2018	**–**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group derecognised deferred income tax assets of HK$320,000 (2017: recognition of HK$320,000). As at 31 December 2018 and 2017, the Group did not have any unrecognised deferred income tax assets.

The movements in deferred income tax liabilities during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation HK$'000
Deferred income tax liabilities	
At 1 January 2017	11,223
Credited to the consolidated income statement	(501)
At 31 December 2017 and 1 January 2018	10,722
Charged to the consolidated income statement (Note 12)	**1,305**
At 31 December 2018	**12,027**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 DEFERRED INCOME TAX (Continued)

As at 31 December 2018, no deferred tax liabilities have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's foreign-invested enterprises in the PRC as the Company controls the dividend policy of these foreign-invested enterprises and it is probable that such differences will not be reversed in the foreseeable future (2017: Nil). As at 31 December 2018, deferred income tax liabilities of HK$5,377,000 (2017: HK$4,314,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are permanently reinvested and the unremitted earnings are HK$53,770,000 at 31 December 2018 (2017: HK$43,137,000).

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Assets as per consolidated statements of financial position		
Loans and receivables:		
– Trade receivables	**68,978**	46,282
– Deposits and other receivables	**865**	887
– Pledged time deposits	**44,000**	64,000
– Cash and cash equivalents	**19,325**	118,023
Total	**133,168**	229,192

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortised cost:		
– Trade and bills payables	**51,209**	54,938
– Accruals and other payables	**7,039**	12,328
– Borrowings	**58,868**	151,256
Total	**117,116**	218,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Trade receivables	68,978	46,282
Less: Loss allowance	–	–
Trade receivables, net of provision	68,978	46,282
Rental deposits	802	850
Other deposits	51	37
Prepayments	8,857	4,166
Prepayments for purchase of plant and equipment	–	516
Other receivables	12	–
	9,722	5,569
Less: Non-current portion	(1,475)	(516)
	8,247	5,053
	77,225	51,335

The carrying amounts of trade receivables, deposits and other receivables approximate their fair values.

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current	30,494	22,358
0 to 3 months	28,696	16,571
3 to 6 months	6,754	4,780
Over 6 months	3,034	2,573
	68,978	46,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the days past due. See Note 3.1(a) for further information about expected credit loss provision.

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

The carrying amounts of the trade receivables, prepayments, deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
RMB	**54,620**	33,215
HK$	**24,080**	18,636
	78,700	51,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18 CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

(a) Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Cash at bank and on hand	**19,325**	118,023

The cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
HK$	**4,021**	87,955
RMB	**13,815**	26,983
USD	**24**	–
Others	**1,465**	3,085
	19,325	118,023

The Group's bank balances are deposits with creditworthy banks with no recent history of default. The weighted effective interest rate on bank balances was 0.027% (2017: 0.059%).

The Group's certain bank balances and deposits denominated in RMB are deposited in the PRC and HK. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

(b) Pledged time deposits

As at 31 December 2018, pledged bank deposit of HK$44,000,000 (2017: HK$64,000,000) were held at bank as security for long term bank borrowings (Note 22(b)). The weighted effective interest rate on these deposits was 0.6% (2017: 2.3%). Pledged bank deposits were denominated in HK$ and deposited with a creditworthy bank with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19 SHARE CAPITAL AND SHARE PREMIUM

Authorised ordinary shares:

	Number of shares	Nominal value of ordinary shares HK$'000
At 23 February 2017 (date of incorporation)	38,000,000	380
Increase in authorised shares (Note (c))	1,962,000,000	19,620
At 31 December 2017, 1 January 2018 and 31 December 2018	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 23 February 2017 (date of incorporation) (Note (a))	1	–	–
Shares issued pursuant to the Reorganisation (Note (b))	999	–	–
Shares issued pursuant to the Capitalisation Shares issue (Note (d))	299,999,000	3,000	(3,000)
Shares issued pursuant to the share offer in Listing (Note (e))	100,000,000	1,000	54,000
Listing expenses related to the issue of new shares (Note (e))	–	–	(9,099)
At 31 December 2017, 1 January 2018 and 31 December 2018	400,000,000	4,000	41,901

Notes:

(a) On 23 February 2017 (date of incorporation), 1 share of HK$0.01 was allocated and issued.

(b) On 31 March 2017, 999 shares of HK$0.01 were allocated and issued pursuant to the Reorganisation.

(c) On 1 December 2017, the authroised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000shares of HK$0.01 each.

(d) By a shareholder's written resolution dated 1 December 2017. The Company issued additional 299,999,000 shares (the"Capitalisation Shares"), credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$2,999,990 crediting to the Company's share premium account.

(e) On 21 December 2017, in connection with the Listing, the Company issued 100,000,000 shares at a price of HK$0.55 per share for a total of HK$55,000,000 with issuance costs amounted to HK$9,099,000 being charged to Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 OTHER RESERVES

The Group

	Exchange reserve HK$'000	Other reserves (note) HK$'000	Total HK$'000
As at 1 January 2017	(2,576)	5,314	2,738
Other comprehensive income			
Currency translation differences	2,778	–	2,778
Total comprehensive income	2,778	–	2,778
As at 31 December 2017 and 1 January 2018	202	5,314	5,516
Other comprehensive loss			
Currency translation differences	**(2,320)**	**–**	**(2,320)**
Total comprehensive loss	**(2,320)**	**–**	**(2,320)**
As at 31 December 2018	**(2,118)**	**5,314**	**3,196**

Note: Other reserves of the Group represented the difference between share capital of the Company and combined capital of the group subsidiaries comprising the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current		
Trade and bills payables (note (a))	**51,209**	54,938
Accrual expenses	**6,399**	9,929
Contract liabilities	**740**	–
Receipt in advance	**–**	1,803
Other payables	**640**	596
Accruals and other payables	**7,779**	12,328
Total	**58,988**	67,266

The carrying amounts of trade and bills payables, accruals and other payables approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
RMB	**11,797**	16,919
HK$	**47,191**	50,347
	58,988	67,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

(a) As at 31 December 2018 and 2017, the Group's ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Up to 3 months	46,187	50,819
3 to 6 months	1,895	1,458
Over 6 months	3,127	2,661
	51,209	54,938

22 BORROWINGS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current		
Finance lease liabilities (Note (a))	149	224
Bank borrowings (Note (b))	11,300	50,186
	11,449	50,410
Non-current		
Finance lease liabilities (Note (a))	–	149
Bank borrowings (Note (b))	9,419	100,697
Loan from a third party (Note (c))	38,000	–
	47,419	100,846
	58,868	151,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 BORROWINGS (Continued)

(a) Finance lease liabilities

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	151	232
Later than 1 year and no later than 5 years	–	151
	151	383
Future finance charges on finance leases	(2)	(10)
Present value of finance lease liabilities	149	373

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
The present value of finance lease liabilities is as follows:		
No later than 1 year	149	224
Later than 1 year and no later than 5 years	–	149
	149	373

The finance lease liabilities were under the guarantee by the Company.

(b) Bank borrowings

As at 31 December 2017, bank borrowings were denominated in HK$ and secured by (i) pledged time deposits of HK$64,000,000; (ii) properties held by WK Equipment Limited; (iii) guarantees provided by Mr. MP Wong, Mrs. Wong; and (iv) deposits of HK$44,000,000 provided by Mr. MP Wong and Mrs. Wong. These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum. The weighted effective interest rate on these bank borrowings was 2.9%. The securities of (ii), (iii) and (iv) were released during the year ended 31 December 2018.

As at 31 December 2018, bank borrowings were denominated in HK$ and secured by a pledged time deposit of HK$44,000,000 (note 18(b)) and the Company's corporate guarantee. This bank borrowing carried floating rate at HIBOR plus a margin per annum. The weighted effective interest rate on these bank borrowing was 4.0%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 BORROWINGS (Continued)

(b) Bank borrowings (Continued)

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2018 HK$'000	2017 HK$'000
On demand or within a period not exceeding one year	11,300	50,186
Between one to two years	9,419	71,287
Between two to five years	–	29,410
	20,719	150,883

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 31 December	
	2018 HK$'000	2017 HK$'000
Within one year	11,300	50,186
Between one to two years	9,419	91,287
Between two to five years	–	9,410
	20,719	150,883

The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2018 HK$'000	2017 HK$'000
Floating rate:		
– Expiring within one year	14	44

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group recognised the following assets and liabilities related to contracts with customers:

	31 December 2018 HK$'000	31 December 2017 HK$'000
Contract assets relating to provision of services	584	–
Loss allowance (Note 3.1(a))	–	–
Total contract assets	584	–
Contract liabilities relating to provision of services	740	–

As at 31 December 2018, contract liabilities included in accruals and other payables amounting to HK$740,000. Revenue recognised that was included in the contract liabilities balance at the beginning of the year was HK$1,803,000 (2017: nil).

24 CASH FLOW INFORMATION – FINANCING ACTIVITIES

This section sets out the movement of liabilities from financing activities for the years ended 31 December 2018 and 2017.

	Liabilities from financing activities				
	Finance lease liabilities HK$'000	Interest payable HK$'000	Bank borrowings HK$'000	Loan from a third party HK$'000	Total HK$'000
As at 1 January 2017	–	–	162,144	–	162,144
Non cash-interest cost	–	4,578	–	–	4,578
Non-cash-purchase of a motor vehicle – finance lease	571	–	–	–	571
Cash flows	(198)	(4,578)	(11,261)	–	(16,037)
As at 31 December 2017 and 1 January 2018	373	–	150,883	–	151,256
Non cash-interest cost	–	5,608	–	–	5,608
Cash flows	(224)	(5,608)	(130,164)	38,000	(97,996)
As at 31 December 2018	149	–	20,719	38,000	58,868

25 DIVIDEND

No dividend has been paid or declared by the Company in respect of the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 COMMITMENTS

The Group leases its premises under non-cancellable operating lease agreements. The lease terms range from two to five years.

The future aggregate minimum lease payments under non-cancellable operating leases of the Group are as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Operating lease of premises:		
No later than 1 year	**3,625**	3,443
Later than 1 year and no later than 5 year	**13,566**	6,429
Over 5 years	**–**	1,415
	17,191	11,287

The Group had no capital commitment as at 31 December 2018 and 2017.

27 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018 and 2017.

28 RELATED PARTY TRANSACTIONS

(a) In addition to those disclosed elsewhere in the consolidated financial statements, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December 2018 and 2017:

Name of the related party	**Relationship with the Group**
Mr. MP Wong	Executive director and the ultimate controlling shareholder of the Company
Mrs. Wong	Spouse of Mr. MP Wong
WK Equipment Limited	Controlled by Mr. MP Wong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

Key management include executive directors and management of the Group. The compensation paid or payable to key management for employee services is shown below:

	For the year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**6,234**	6,789
Pension costs – defined contribution plans	**57**	126
	6,291	6,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		30,843	30,843
		30,843	30,843
Current assets			
Prepayment		160	–
Amount due from a subsidiary	(b)	26,360	9,284
Cash and cash equivalents		30	22,729
		26,550	32,013
Total assets		57,393	62,856
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		4,000	4,000
Other reserve	(a)	72,744	72,744
Accumulated losses	(a)	(20,563)	(18,235)
Total equity		56,181	58,509
Current liabilities			
Accruals and other payables		388	3,625
Amounts due to subsidiaries	(b)	824	722
Total liabilities		1,212	4,347
Total equity and liabilities		57,393	62,856

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2019 and was signed on its behalf.

Wong Man Por
Chairman and Executive Director

Wong Chi Bor
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Accumulated losses HK$'000	Other reserve HK$'000
As at 23 February 2017 (date of incorporation)	–	–
Loss for the period	(18,235)	–
Shares issued pursuant to the Reorganisation	–	30,843
Shares issued pursuant to the Capitalisation Shares issue	–	(3,000)
Shares issued pursuant to the share offer in Listing	–	54,000
Listing expenses related to the issue of new shares	–	(9,099)
As at 31 December 2017 and 1 January 2018	(18,235)	72,744
Loss for the year	(2,328)	–
As at 31 December 2018	(20,563)	72,744

(b) Amounts due from/(to) subsidiaries

The amounts were unsecured, non-trade nature, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of the directors of the Company paid or payable by the Group is set out below:

For the year ended 31 December 2018:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking						
Name	Fee	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme contributions	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. MP Wong	–	1,200	–	1,200	18	–	2,418
Mr. CB Wong	–	1,095	–	–	18	–	1,113
Mr. HP Wong	–	540	46	213	–	–	799
Ms. Fu Bun Bun	–	1,023	74	163	–	–	1,260
	–	3,858	120	1,576	36	–	5,590
Independent non-executive directors							
Mr. Chow Chun to	150	–	–	–	–	–	150
Mr. Chen Yeung Tak	150	–	–	–	–	–	150
Mr. Cheung Wai Lun Jacky	150	–	–	–	–	–	150
Mr. Chan Wing Kee	150	–	–	–	–	–	150
	600	–	–	–	–	–	600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2017:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking						
Name	Fee	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme contributions	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. MP Wong	–	1,200	–	55	18	–	1,273
Mr. CB Wong	–	749	–	–	18	–	767
Mr. HP Wong	–	451	–	196	–	–	647
Ms. Fu Bun Bun	–	698	–	196	–	–	894
	–	3,098	–	447	36	–	3,581
Independent non-executive directors							
Mr. Chow Chun to	12	–	–	–	–	–	12
Mr. Chen Yeung Tak	12	–	–	–	–	–	12
Mr. Cheung Wai Lun Jacky	12	–	–	–	–	–	12
Mr. Chan Wing Kee	12	–	–	–	–	–	12
	48	–	–	–	–	–	48

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors during the year ended 31 December 2018 (2017: Nil) by a defined benefit pension plan operated by the Group in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking.

(c) Directors' termination benefits

No payment was made to any directors as compensation for the termination of the appointment during the year ended 31 December 2018 (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of any directors for making available the services of them as a director of the Company during the year ended 31 December 2018 (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

In addition to those disclosed elsewhere in the consolidated financial statements, there are no loans, quasi loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 December 2018 (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

In addition to those disclosed elsewhere in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018 (2017: Nil).

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**238,442**	208,136	183,979	179,714
Cost of services	**(165,821)**	(159,606)	(140,808)	(141,671)
Gross profit	**72,621**	48,530	43,171	38,043
Profit/(loss) for the year	**21,637**	(4,610)	6,280	3,200

ASSETS AND LIABILITIES

	As at 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**139,495**	144,362	83,248	77,755
Current assets	**97,134**	169,358	190,482	201,319
Non-current liabilities	**57,827**	111,248	55,723	10,984
Current liabilities	**78,902**	121,889	181,493	235,622
Net current assets/(liabilities)	**18,232**	47,469	8,989	(34,303)
Net Assets	**99,900**	80,583	36,514	32,468

The summary above does not form part of the audited consolidated financial statements.

No financial statements of the Group for the year ended 31 December 2014 have been published.

The financial information for the years ended 31 December 2015 and 2016 were extracted from the Prospectus of the Company dated 8 December 2017. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 1.3 to the audited consolidated financial statements.