



**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**  
**2019**



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*This report, for which the directors (the “Directors”) of AV Promotions Holdings Limited (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (together the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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

### AUDIT COMMITTEE

Mr. Chen Yeung Tak (*Chairman*)  
Mr. Cheung Wai Lun Jacky  
Mr. Chan Wing Kee

### 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. Cheung Wai Lun Jacky

### AUTHORISED REPRESENTATIVES

Mr. Wong Man Por  
Mr. Leung Kai Hang

### COMPLIANCE OFFICER

Mr. Wong Man Por

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Shing Dao Industrial Building,  
No 232 Aberdeen Main Road,  
Aberdeen, Hong Kong

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### COMPLIANCE ADVISER

Halcyon Capital Limited  
11th Floor, 8 Wyndham Street  
Central  
Hong Kong

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building  
Central  
Hong Kong



## CORPORATE INFORMATION (continued)

### COMPANY SECRETARY

Mr. Leung Kai Hang

### REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### COMPANY WEBSITE

[www.avpromotions.com](http://www.avpromotions.com)

### STOCK CODE

8419

### PRINCIPAL BANKER

Bank of China (Hong Kong) Limited  
G/F, Bank of China Tower,  
1 Garden Road,  
Central, Hong Kong

DBS Bank (Hong Kong) Limited  
16th Floor, The Center  
99 Queen's Road Central  
Central, Hong Kong

Fubon Bank (Hong Kong) Limited  
Fubon Bank Building,  
38 Des Voeux Road Central,  
Hong Kong

United Overseas Bank Limited  
23rd Floor, 3 Garden Road  
Central, Hong Kong





## 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 2019.

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 recognised revenue of approximately HK\$203.8 million for the year ended 31 December 2019, representing a decrease of approximately HK\$34.6 million or 14.5% as compared with the year ended 31 December 2018. The gross profit of the Group for the year ended 31 December 2019 decreased by approximately 1.7% to approximately HK\$71.4 million from HK\$72.6 million for the year ended 31 December 2018. The Group’s net profit was approximately HK\$24.5 million for the year ended 31 December 2019, as compared with profit of approximately HK\$21.6 million for the year ended 31 December 2018.

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

Looking forward, the Group will continue to strengthen the management’s governance and open up more opportunities for our expansion, ultimately benefiting the shareholders with generous returns. To increase competitive edge of the Group over its competitors and to control the Group’s overall costs to a reasonable level, the Group will unite its efforts to carefully evaluate each project, and to strive for increase in returns. The Board will also proactively seek potential business opportunities in other segments of the live events industry e.g. content distributors and production specialists, and to widen the geographical coverage of the Group so as to broaden the sources of income 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, 24 March 2020



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

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

### 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 events.

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

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

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

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



**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 2019 with comparative figures for the year ended 31 December 2018.

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

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

**Cost of services**

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Equipment rental cost

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

### Employee benefit expenses

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

### Material cost of consumables

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

### Depreciation of property, plant and equipment

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

### Freight expenses

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

### Travel expenses

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

### Gross profit and gross profit margin

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



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Other income

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

### Other losses, net

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

### Selling expenses

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

### Administrative expenses

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

### Finance expenses, net

The finance expenses, net of the Group mainly consist of interest on bank borrowings (which were wholly repayable within five years), interest expenses on finance leases liabilities and interest income from daily bank balance and deposit. The Group's finance expenses, net decreased by approximately 1.9% from approximately HK\$5.4 million for the year ended 31 December 2018 to approximately HK\$5.3 million for the year ended 31 December 2019 which was mainly due to the increase in interest income arising from additional fixed deposit placed to and net off the increase in interest rate on bank borrowings.

### Income tax expenses

The Group is subject to income tax on an enterprise basis, based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate in. During the years ended 31 December 2019 and 2018, PRC Enterprise Income Tax has been provided at the rate of 25.0%. Pursuant to the enactment of two-tiered profit tax rates issued by the Inland Revenue Department ("IRD") of Hong Kong from the year of assessment 2018/19 onwards, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax for the year ended 31 December 2019 is subject to a tax rate of 8.25%.

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



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Profit for the year

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

### Liquidity and Financial Resources

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

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

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

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

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

### Capital Structure

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

### Pledge of Assets

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



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Significant Investments, Material Acquisitions and Disposals

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

### Contingent Liabilities

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

### Exposure to Fluctuations in Exchange Rates

The Group's revenue and costs are primarily denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the year ended 31 December 2019, the Group did not use any financial instruments for hedging purposes.

### Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### Employees and Remuneration Policies

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





## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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

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

As disclosed in the 2018 Annual Report of the Company, the Group adjusted its 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 as at 31 December 2019 is set out below:

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



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Event after reporting period

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

- (a) progress of the Group’s projects in Hong Kong, the PRC and Macau were delayed temporarily in the first quarter of 2020 because of the postponement of work resumption after the Chinese New Year holiday, which may in turn affect the operating results of the Group for the first half of 2020; and
- (b) the temporary slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers of the Group, and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets.

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

### Share option scheme

The Company has adopted a share option scheme on 1 December 2017 (the “**Share Option Scheme**”). The summary of the principal terms of the Share Option Scheme is set out in section “Share Option Scheme” under Report of the Board of Directors 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 2019.

### Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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 2019 (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. Chan Wing Kee (being the independent non-executive Director at the relevant time) was unable to attend the annual general meeting of the Company held on 24 June 2019 as he was obliged to be away for his business 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 seven Directors, including four executive Directors and three 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. Chen Yeung Tak  
Mr. Cheung Wai Lun Jacky  
Mr. Chan Wing Kee



## CORPORATE GOVERNANCE REPORT (continued)

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 53 to 56 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 2019, the Company held nine Board meetings, five Audit Committee meetings, one 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)

Name of Directors	Attendance/Number of meetings				
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
Executive Directors:					
Mr. Wong Man Por	9/9	-	-	1/1	1/1
Mr. Wong Hon Po	9/9	-	1/1	-	1/1
Mr. Wong Chi Bor	9/9	-	-	-	1/1
Ms. Fu Bun Bun	9/9	-	-	-	1/1
Independent Non-executive Directors:					
Mr. Chow Chun To (resigned on 31 July 2019)	9/9	2/2	-	1/1	1/1
Mr. Chen Yeung Tak	9/9	5/5	1/1	-	1/1
Mr. Cheung Wai Lun Jacky	9/9	5/5	-	-	1/1
Mr. Chan Wing Kee	9/9	3/3	1/1	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

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. Chen Yeung Tak, Mr. Cheung Wai Lun Jacky and Mr. Chan Wing Kee. Mr. Chen Yeung Tak is the chairman of the Audit Committee. The Company has also established the written terms of reference of the Audit Committee in compliance with Rules 5.28 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 2020, 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 2019, 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 17 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. Chan Wing Kee and Mr. Chen Yeung Tak, 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 17 of this annual report.

### Senior Management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2019 falls within the following bands:

HK\$	Number of Individuals
Nil to HK\$1,000,000	4
HK\$1,000,001 to HK\$2,000,000	2

### 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.



## CORPORATE GOVERNANCE REPORT (continued)

### **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. Cheung Wai Lun Jacky. 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 17 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 2019, 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 57 to 61 of this report.



## CORPORATE GOVERNANCE REPORT (continued)

### Auditors' remuneration

During the year ended 31 December 2019, 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	1,300,000
Non-audit services	–
Total	1,300,000

### 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.





## CORPORATE GOVERNANCE REPORT (continued)

### 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.



## CORPORATE GOVERNANCE REPORT (continued)

### 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. Leung Kai Hang, 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 2019, 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 2019, 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 2019 (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 2019 to 31 December 2019. 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 all the provisions of the Corporate Governance Code set forth in the GEM Listing Rules throughout the financial year ended 31 December 2019. 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
<b>Investors and shareholders</b>	Corporate governance, financial performance	Shareholders' meeting, financial reports and ESG report	Annually
<b>Suppliers and customers</b>	Product quality and customer service	Company website, E-mails, feedback from employees	Irregular
<b>Employees</b>	Compensation, health and safety, training and development	Regular internal meetings, internal complaint mechanism, training	Irregular
<b>Government</b>	Tax compliance, occupational safety	Proactive liaison with relevant government departments	Irregular
<b>Community</b>	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 2019, 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 stationeries on a needed basis and promote using used stationeries;
- 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 2019, the total electricity consumption of the Group was approximately 89,204 kWh, the total gasoline consumption was approximately 46,129 litres and the total water consumption was approximately 471 m<sup>3</sup>.

<b>Category of resources</b>	<b>Unit</b>	<b>Value</b>	<b>Per employee</b>
Electricity	kWh	89,204	420.8
Gasoline	litre	46,129	217.6
Water	m <sup>3</sup>	471	2.2



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

### 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 172 tonnes.

Category of emissions	Unit	Value
Carbon emissions (scope 1)	tCO <sub>2</sub> e	124.9
Carbon emissions (scope 2)	tCO <sub>2</sub> e	47.1

In addition, the emissions of Sulfur oxide and Nitrogen oxide by the vehicles of the Group were 0.68kg and 19.2kg, respectively.

Air Pollutants	Unit	Value
Sulfur oxides (SO <sub>x</sub> )	kg	0.68
Nitrogen oxides (NO <sub>x</sub> )	kg	19.2

### 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 2019, the Company had total 212 employees. The analysis of age, gender, employment type and geographic distribution of the Group's employees are as follows:

	Number	Percentage
<u>By Region</u>		
Hong Kong	89	42%
Macau	8	4%
the PRC	115	54%
<u>By Gender</u>		
Male	171	81%
Female	41	19%
<u>By Type</u>		
Management	30	14%
Non-management	182	86%
<u>By Age</u>		
Below 30 years old	65	31%
30-50 years old	131	61%
Above 50 years old	16	8%

As at 31 December 2019, 23 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 2019 are as follows:

	Number	Percentage of total employees
<u>By Region</u>		
Hong Kong	14	7%
Macau	2	1%
the PRC	8	4%
<u>By Gender</u>		
Male	16	8%
Female	8	4%
<u>By Age</u>		
Below 30 years old	17	8%
30-50 years old	7	3%

### 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 2019, 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 2019.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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 2019, 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 2019, 189 suppliers are from the PRC, 109 suppliers are from Hong Kong and 20 suppliers are from Macau.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

### 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 2019, 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 2019.

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 2019, the Group made donations of HK\$337,000 to various charitable organisations in Hong Kong.

### ESG REPORTING GUIDE CONTENT INDEX

KPIs	ESG Report Index	Section/Remarks
<b>A1 Emissions</b>		
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
<b>A2 Use of Resources</b>		
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.
<b>A3 The Environment and Natural Resources</b>		
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
<b>B1 Employment</b>		
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
<b>B2 Health and Safety</b>		
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
<b>B3 Development and Training</b>		
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
<b>B4 Labour Standards</b>		
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
<b>B5 Supply Chain Management</b>		
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
<b>B6 Product Responsibility</b>		
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
<b>B7 Anticorruption</b>		
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
<b>B8 Community Investment</b>		
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 2019.

### 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 2019, 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 2019 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 62 to 65.

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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 five 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 page 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 2019 are set out in note 14 to the consolidated financial statements.

### **BORROWINGS**

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 23 to the consolidated financial statements.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 20 to the consolidated financial statements.

### **RESERVES**

Details of movements in reserves of the Group and the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity and note 30 to the consolidated financial statements respectively.

### **DISTRIBUTABLE RESERVES**

As at 31 December 2019, 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 2019.





## REPORT OF THE BOARD OF DIRECTORS (continued)

### DIRECTORS

The Directors of the Company during the year ended 31 December 2019 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 (*resigned on 31 July 2019*)  
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 31 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 53 to 56 of this report.

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this report, none of the Directors or an entity connected with any of them had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, parent company or subsidiaries of the parent company was a party and subsisting at any time during or at the end of the year ended 31 December 2019.

As at 31 December 2019 and at any time during the year ended 31 December 2019, 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 2019 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Directors' Report) Regulation (Cap 622D of the laws of Hong Kong) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### MANAGEMENT CONTRACTS

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 during the year ended 31 December 2019.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019 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 2019.

### DISCLOSURE OF DIRECTORS' INTERESTS

#### (a) Interests and short positions of Directors and chief executives 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 executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “**SFO**”) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Interests in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested in (Note 1)	Percentage of shareholding
Mr. MP Wong (Notes 2 & 3)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	290,000,000 (L)	72.5%
Mr. CB Wong (Note 4)	Interest of spouse	2,700,000 (L)	0.68%

**REPORT OF THE BOARD OF DIRECTORS** (continued)

## Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. The 290,000,000 Shares are held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by Trident Trust Company (HK) Limited (“**Trustee**”) acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Ms. Kong Suet Yau (“**Mrs. Wong**”) (the Spouse of Mr. MP Wong), Mr. Wong Hin Hang (the son of Mr. MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to a trust deed dated 10 April 2017 entered into by Mr. MP Wong as the settlor and the appointer and by the Trustee as the trustee (“**Trust Deed**”). Mr. MP Wong as settlor, appointer and a beneficiary of The WMPE Family 2017 Trust is deemed or taken to be interested in the 290,000,000 Shares held by Mega King.
3. Mr. MP Wong is the founder of 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 290,000,000 Shares beneficially owned by Mega King.
4. Mr. Wong Chi Bor (“**Mr. CB Wong**”) is the spouse of Ms. Yau Lai Ling (“**Ms. Yau**”) who holds 2,700,000 shares of the Company. Mr. CB Wong being the spouse of Ms. Yau is deemed to be interested in the 2,700,000 Shares held by Ms. Yau.

**(ii) Long position in the shares of associated corporations**

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of Shares held/interested in (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 executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### (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 executives of the Company) had or were deemed to have interests or short positions in Shares or underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of shareholder	Capacity/Nature of Interest	Number of Shares held/interested in (Note 1)	Percentage of shareholding
Mega King (Note 2)	Beneficial owner	290,000,000 (L)	72.5%
Jumbo Fame (Note 2)	Interest of controlled corporation	290,000,000 (L)	72.5%
Trustee (Note 2)	Trustee	290,000,000 (L)	72.5%
Mrs. Wong (Note 3)	Interest of spouse	290,000,000 (L)	72.5%

Notes:

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





## REPORT OF THE BOARD OF DIRECTORS (continued)

### SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 1 December 2017 (“Adoption Date”). The Share Option Scheme will remain in force for a period of 10 years from 1 December 2017 to 30 November 2027. A summary of the principal terms of the Share Option Scheme pursuant to Rule 23.09 of the GEM Listing Rules (“**Share Option Scheme**”) are set out as follows:

#### 1. Purpose of the Share Option Scheme

The 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 services providers of our Group and to promote the success of the business of our Group.

#### 2. Participants of the Share Option Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractors, supplier, agent, customer, business partner or services provider of our Group, options to subscribe at a price calculated in accordance with paragraph (7) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

#### 3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued Shares

As at the 31 December 2019 and up to date of this report, no share option has been granted under the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 40,000,000 Shares, representing 10% of the total number of Shares in issue as at the 21 December 2017.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### 4. Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company containing the identity of the eligible participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 23.02(2) (d) and the disclaimer required under 23.02(4) of the GEM Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such eligible participant and his/her close associates (as defined in the GEM Listing Rules) (or his/her associates if the eligible participant is a core connected person) abstaining from voting.

Where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million; such further grant of options must be approved by the shareholders in general meeting.

### 5. The period within which the Shares must be exercised under the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date upon which the option is deemed to be granted and accepted.

### 6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

### 7. Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### 8. The basis of determining the exercise price

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant of the option.

### 9. The remaining life of the Share Option Scheme

The Share Option Scheme, unless otherwise terminated or amended, will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately proceeding the tenth anniversary thereof.

Since the adoption of the Share Option Scheme, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at the date of this report.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2019.

## 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 2019. 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 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate amount of revenue attributed to the Group's largest and the five largest customers accounted for approximately 24.6% and 47.5% (2018: 22.5% and 43.2%) of the total revenue of the Group, respectively. For the year ended 31 December 2019, the Group's cost of services from the largest and the five largest suppliers accounted for approximately 4.1% and 13.7% (2018: 6.2% and 19.6%) of the total cost of services of the Group, respectively. At no time during the year ended 31 December 2019 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 2019, the Group did not enter 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 as 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.

### 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.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 212 employees in Hong Kong, the PRC and Macau (2018: 190 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 2019, 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

Details of significant events after the reporting period are set out in Note 32 to the consolidated financial statements

### AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, who shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-appointment.

On behalf of the Board

**Wong Man Por**  
*Chairman*  
24 March 2020





## BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Wong Man Por (黃文波)**, aged 62, 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 55, 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 52, 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 MANAGERMENTS (continued)

**Ms. Fu Bun Bun (傅彬彬)**, aged 46, 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. Chen Yeung Tak (陳仰德)**, aged 36, 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). He is also an independent non-executive director of DT Capital Limited, the shares of which were listed on the Stock Exchange (stock code: 0356) since July 2019. 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 MANAGERMENTS (continued)

**Mr. Cheung Wai Lun Jacky (張偉倫)**, aged 46, 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 61, 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 MANAGERMENTS (continued)

### SENIOR MANAGEMENT

**Ms. Yau Lai Ling (邱麗玲)**, aged 53, 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. Leung Kai Hang (梁繼恆)**, aged 35, joined our Group as finance manager and became our financial controller since November 2018, he is mainly responsible for overseeing the corporate and managing the financial matters of our Group.

Mr. Leung graduated from the University of South Australia with a Bachelor of Finance, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

He has worked in an international audit firm and has over 10 years professional experience in auditing, accounting, initial public offering and corporate services.

### COMPANY SECRETARY

**Mr. Leung Kai Hang (梁繼恆)**, aged 35, is the company secretary of our Group since 30 June 2019, and is mainly responsible for the company secretarial and related matters of our group. For details on Mr. Leung Kai Hang's back ground, please refer to the description about him as our Group's financial controller in "Senior Management" under this section above.

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 62 to 123, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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
<p>Impairment of trade receivables and contract assets</p> <p><i>Refer to notes 2.8, 2.9, 2.14, 3.1(a), 4(a), 18 and 24 to the consolidated financial statements</i></p> <p>As at 31 December 2019, the Group has trade receivables of HK\$87,659,000 (2018: HK\$68,978,000) and contract assets of HK\$889,000 (2018: HK\$584,000). The credit terms were ranging from 0 to 90 days.</p> <p>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"</p> <p>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.</p>	<p>Our procedures in relation to management's impairment assessment of trade receivables and contract assets included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Tested aging of trade receivables and contract assets balances at year end on a sample basis to the underlying invoices and subsequent settlement;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul> <p>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.</p>



## 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 HKSAAs, 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, 24 March 2020



## CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2019 HK\$'000	2018 HK\$'000
Revenue	6	203,817	238,442
Cost of services	8	(132,452)	(165,821)
<b>Gross profit</b>		<b>71,365</b>	<b>72,621</b>
Other income	6	998	-
Other losses, net	7	(42)	(691)
Selling expenses	8	(3,882)	(4,117)
Administrative expenses	8	(30,135)	(34,903)
<b>Operating profit</b>		<b>38,304</b>	<b>32,910</b>
Finance income	10	541	255
Finance expenses	10	(5,842)	(5,608)
Finance expenses – net		(5,301)	(5,353)
<b>Profit before income tax</b>		<b>33,003</b>	<b>27,557</b>
Income tax expenses	12	(8,479)	(5,920)
<b>Profit for the year</b>		<b>24,524</b>	<b>21,637</b>
<b>Profit for the year is attributable to:</b>			
Owners of the Company		24,516	21,645
Non-controlling interests		8	(8)
		24,524	21,637
<b>Basic and diluted earnings per share for profit attributable to owners of the Company (HK cents)</b>	13	<b>6.1</b>	<b>5.4</b>

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2019 HK\$'000	2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	92,799	94,020
Right-of-use assets	15	13,773	–
Pledged time deposits	19(b)	10,000	44,000
Prepayments and deposits	18	648	1,475
		<b>117,220</b>	<b>139,495</b>
<b>Current assets</b>			
Trade receivables	18	87,659	68,978
Contract assets	24	889	584
Prepayments, deposits and other receivables	18	8,701	8,247
Pledged time deposits	19(b)	51,101	–
Cash and cash equivalents	19(a)	37,754	19,325
		<b>186,104</b>	<b>97,134</b>
<b>Total assets</b>		<b>303,324</b>	<b>236,629</b>
<b>EQUITY</b>			
Share capital	20	4,000	4,000
Share premium	20	41,901	41,901
Exchange reserve	21	(4,949)	(2,118)
Other reserves	21	5,314	5,314
Retained earnings		75,327	50,811
<b>Capital and reserves attributable to owner of the Company</b>		<b>121,593</b>	<b>99,908</b>
Non-controlling interests		–	(8)
<b>Total equity</b>		<b>121,593</b>	<b>99,900</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	16	10,260	10,408
Borrowings	23	29,000	47,419
Lease liabilities	15	5,466	–
		<b>44,726</b>	<b>57,827</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 December	
		2019 HK\$'000	2018 HK\$'000
<b>Current liabilities</b>			
Trade and bills payables	22	37,576	51,209
Accruals and other payables	22	11,433	7,779
Borrowings	23	70,789	11,449
Lease liabilities	15	4,829	-
Deferred income tax liabilities	16	1,585	1,619
Current income tax liabilities		10,793	6,846
		<b>137,005</b>	<b>78,902</b>
<b>Total liabilities</b>		<b>181,731</b>	<b>136,729</b>
<b>Total equity and liabilities</b>		<b>303,324</b>	<b>236,629</b>

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

The consolidated financial statements on pages 62 to 123 were approved by the Board of Directors on 24 March 2020 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						Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Other reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 January 2018	4,000	41,901	202	5,314	29,166	80,583	–	80,583
<b>Comprehensive income</b>								
Profit for the year	–	–	–	–	21,645	21,645	(8)	21,637
<b>Other comprehensive loss</b>								
Currency translation differences	–	–	(2,320)	–	–	(2,320)	–	(2,320)
<b>Total comprehensive (loss)/income</b>	–	–	(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
<b>As at 1 January 2019</b>	4,000	41,901	(2,118)	5,314	50,811	99,908	(8)	99,900
<b>Comprehensive income</b>								
Profit for the year	–	–	–	–	24,516	24,516	8	24,524
<b>Total comprehensive income</b>	–	–	–	–	24,516	24,516	8	24,524
<b>Other comprehensive loss</b>								
Currency translation differences	–	–	(2,831)	–	–	(2,831)	–	(2,831)
<b>Total comprehensive (loss)/income</b>	–	–	(2,831)	–	24,516	21,685	8	21,693
As at 31 December 2019	4,000	41,901	(4,949)	5,314	75,327	121,593	–	121,593

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		33,003	27,557
Adjustments for:			
Finance expenses	10	5,842	5,608
Depreciation of property, plant and equipment	14	14,441	13,633
Depreciation of right-of-use assets	15	5,117	–
Bank interest income	10	(541)	(255)
Losses on disposals of property, plant and equipment	7	–	381
Operating profit before working capital changes		57,862	46,924
Change in working capital:			
Trade receivables		(20,448)	(25,365)
Contract assets		(305)	(584)
Prepayments, deposits and other receivables		(3,419)	(4,531)
Trade and bills payables		(13,712)	(3,341)
Accruals and other payables		2,634	(3,556)
Cash generated from operation		22,612	9,547
Income tax paid		(4,530)	(1,355)
Net cash generated from operating activities		18,082	8,192

**CONSOLIDATED STATEMENT OF CASH FLOWS** (continued)

	Note	Year ended 31 December	
		2019 HK\$'000	2018 HK\$'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(13,796)	(28,249)
Proceeds from disposals of property, plant and equipment	14	–	2
Bank interest income		541	255
(Increase)/decrease in pledged time deposits		(17,101)	20,000
<b>Net cash used in investing activities</b>		<b>(30,356)</b>	<b>(7,992)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		86,905	68,000
Repayments of borrowings		(45,835)	(160,164)
Principal elements of lease payments		(4,983)	–
Repayments of finance lease		–	(224)
Payments of loan interest		(4,976)	(5,608)
<b>Net cash generated from/(used in) financing activities</b>		<b>31,111</b>	<b>(97,996)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,837</b>	<b>(97,796)</b>
Cash and cash equivalents at beginning of year		19,325	118,023
Exchange losses on cash and cash equivalents		(408)	(902)
<b>Cash and cash equivalents at end of year</b>	19(a)	<b>37,754</b>	<b>19,325</b>

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

(i) *Compliance with HKFRSs and HKCO*

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

(ii) *Historical cost convention*

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



**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 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020



## 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 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.22.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.04%.

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

##### (i) *Practical expedients applied*

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Changes in accounting policies (Continued)

(ii) *Measurement of lease liabilities*

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

(iii) *Measurement of right-of-use assets*

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

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

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

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



## 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

(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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Financial assets

##### 2.8.1 Classification

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.

##### 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

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.



## 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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.

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

##### (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.





## 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 (Continued)*

###### *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.

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.18 Employee benefits (Continued)

##### (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.

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases of motor vehicles where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 14). Finance leases were capitalised at the lease's inception at the fair value of the leased motor vehicles or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in borrowings. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to consolidated income statement 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 vehicles acquired under finance leases was depreciated over the asset's useful life as the Group will obtain ownership at the end of the lease terms.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 27). Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable:

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### 2.25 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated income statement in the period in which they become receivable.



## 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 BAA3 to AA1. As such, no significant credit risk is anticipated.

At 31 December 2019, the Group is exposed to concentration of credit risk to the extent that HK\$42,226,000 (2018: HK\$26,744,000) 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 12 months before 31 December 2019 or 31 December 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 2019 and 2018 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 a debtor to engage 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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, the PRC and Macau with most of the transactions settled in HK\$, Renminbi (“RMB”) and Macau Pataca (“MOP”), 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 and the foreign exchange risk with MOP is minimal.

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

As at 31 December 2019 and 2018, there was no RMB denominated time deposit.

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\$2,831,000 during the year ended 31 December 2019 (2018: HK\$2,320,000). 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 2019 and 2018, 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 23.

**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 and fair value interest rate risk (Continued)*

At 31 December 2019 and 2018, 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 year ended 31 December 2019 and 2018 would have changed as follows:

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Pre-tax profit (decrease)/increase		
– 100 basis points higher	(708)	(207)
– 100 basis points lower	708	207

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 2019 and 2018, 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 year ended 31 December 2019 and 2018 would have changed as follows:

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Pre-tax profit (decrease)/increase		
100 basis points higher	(290)	(380)
100 basis points lower	290	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 2019					
Trade and bills payables	–	37,576	–	–	37,576
Accruals and other payables	–	6,947	–	–	6,947
Lease liabilities	–	4,471	3,534	5,608	13,613
Bank borrowings and interest payable	70,789	–	–	–	70,789
Loan from a third party	–	1,450	1,450	31,900	34,800
	70,789	50,444	4,984	37,508	163,725
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

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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 payment. 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 2019	53,468	8,724	12,139	74,331
As at 31 December 2018	12,132	9,798	–	21,930

#### 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 and lease liabilities (including current and non-current portions 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	
	2019 HK\$'000	2018 HK\$'000
Borrowings (Note 23)	99,789	58,868
Lease liabilities (Note 15)	10,295	–
Less:		
Cash and cash equivalents (Note 19(a))	(37,754)	(19,325)
Pledged time deposits (Note 19(b))	(61,101)	(44,000)
Net debt/(cash)	11,229	(4,457)
Total equity	121,593	99,900
Gearing ratio	8.5%	N/A

There were no changes in the Group's approach to capital management during the years ended 31 December 2019 and 2018.

The Group changed from a net cash position as at 31 December 2018 to a net debt position as at 31 December 2019 was mainly due to the increase in trade receivables and increase in lease liabilities as a result of the adoption of HKFRS 16.

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

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

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

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

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	103,161	133,555
The PRC	10,683	2,088
Macau	3,376	3,852
Total non-current assets per consolidated statement of financial position	117,220	139,495



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6 REVENUE AND OTHER INCOME

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	
	2019 HK\$'000	2018 HK\$'000
Revenue from services	203,817	238,442

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

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

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

### 7 OTHER LOSSES, NET

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Losses on disposals of property, plant and equipment	–	(381)
Exchange differences	(42)	(310)
	(42)	(691)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**8 EXPENSES BY NATURE**

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Material cost of consumables	11,986	20,464
Freight expenses	5,944	9,123
Equipment rental cost	40,881	71,779
Travel expenses	7,658	7,195
Depreciation of property, plant and equipment (Note 14)	14,441	13,633
Depreciation of right-of-use assets (Note 15)	5,117	–
Auditors' remuneration	1,300	1,250
Operating lease payments	–	6,095
Short-term leases payments	1,054	–
Employee benefit expenses (Note 9)	66,567	64,481
Entertainment expenses	1,204	729
Motor vehicle expenses	566	457
Legal and professional fees	1,810	1,962
Other expenses	7,941	7,673
<b>Total cost of services, selling expenses and administrative expenses</b>	<b>166,469</b>	<b>204,841</b>

**9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)**

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Wages, salaries and bonus	59,338	56,001
Pension costs	5,199	5,894
Other staff welfare and benefit	2,030	2,586
	<b>66,567</b>	<b>64,481</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

#### Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group included four (2018: four) directors, whose emoluments were reflected in Note 31. The emoluments paid to the remaining one (2018: one) individual, are as follows:

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Wages and salaries	776	664
Bonus	90	226
Pension costs – defined contribution plans	18	18
	884	908

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

	Year ended 31 December	
	2019 Number of individuals	2018 Number of individuals
Nil – HK\$1,000,000	1	1

### 10 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Interest income		
– Bank interest income	541	255
Finance income	541	255
Interest expenses		
– Finance lease liabilities	(678)	(9)
– Borrowings	(5,164)	(5,599)
Finance expenses	(5,842)	(5,608)
Finance expenses – net	(5,301)	(5,353)





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 11 SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2019 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	Macao, 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* (廣州市艾維展覽服務有限公司)	The PRC, limited liability company	Provision of visual, lighting and audio solution services in PRC	RMB500,000	-	100%
上海奧高舞台設備有限公司	The PRC, limited liability company	Provision of visual, lighting and audio solution services in PRC	RMB5,000,000 (Note 1)	-	100%
深圳市艾維展覽服務有限公司	The PRC, limited liability company	Provision of visual, lighting and audio solution services in PRC	RMB100,000	-	100%
Pop-up Design of Production Company Limited (Note 2)	Hong Kong, limited liability company	Inactive in Hong Kong	HK\$1,000	-	-

Note 1: The share capital has not yet been paid as at 31 December 2019.

Note 2: This 51% owned subsidiary was deregistered on 19 July 2019.

\* 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	
	2019 HK\$'000	2018 HK\$'000
Current income tax		
– Hong Kong	527	773
– The PRC	8,104	3,618
– Macau	–	–
	8,631	4,391
(Over)/under provision in prior years		
– Hong Kong	(4)	(135)
– The PRC	34	39
– Macau	–	–
	30	(96)
Deferred income tax (Note 16)	(182)	1,625
<b>Income tax expenses</b>	<b>8,479</b>	<b>5,920</b>

Pursuant to the enactment of two-tiered profit tax rates issued by the Inland Revenue Department (“IRD”) of Hong Kong from the year of assessment 2018/19 onwards, the Group’s first HK\$2 million of assessable profits under Hong Kong profits tax for the years ended 31 December 2019 and 2018 is subject to a tax rate of 8.25%, while the remaining assessable profits are subject to a tax rate of 16.5%.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**12 INCOME TAX EXPENSES (Continued)**

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

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Profit before income tax	33,003	27,557
Tax calculated at domestic tax rate in the respective countries	7,717	5,762
Under/(over) provision in prior years	30	(96)
Expenses not deductible for tax purposes	960	542
Income not subject to taxation	(63)	(123)
Tax concession (Note)	(165)	(165)
	8,479	5,920

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

**13 BASIC AND DILUTED EARNINGS PER SHARE****(a) Basic**

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

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

**(b) Diluted**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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 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)
<b>Closing net book value</b>	<b>697</b>	<b>90,720</b>	<b>732</b>	<b>1,871</b>	<b>94,020</b>
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)
<b>Net book value</b>	<b>697</b>	<b>90,720</b>	<b>732</b>	<b>1,871</b>	<b>94,020</b>
Year ended 31 December 2019					
Opening net book value	697	90,720	732	1,871	94,020
Effects of the adoption of HKFRS 16 (Note 2.2)	–	–	–	(413)	(413)
Opening net book value, as restated	697	90,720	732	1,458	93,607
Additions	–	13,660	29	107	13,796
Depreciation	(104)	(14,113)	(34)	(190)	(14,441)
Currency translation difference	–	(88)	–	(75)	(163)
<b>Closing net book value</b>	<b>593</b>	<b>90,179</b>	<b>727</b>	<b>1,300</b>	<b>92,799</b>
At 31 December 2019					
Cost	2,173	206,737	2,956	3,875	215,741
Accumulated depreciation	(1,580)	(116,558)	(2,229)	(2,575)	(122,942)
<b>Net book value</b>	<b>593</b>	<b>90,179</b>	<b>727</b>	<b>1,300</b>	<b>92,799</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**14 PROPERTY, PLANT AND EQUIPMENT (Continued)**

Depreciation expenses of HK\$13,720,000 (2018: HK\$12,962,000) and HK\$721,000 (2018: HK\$671,000) have been charged to cost of services and administrative expenses respectively in the consolidated income statement for the year ended 31 December 2019.

As at 31 December 2018, motor vehicles include the following amounts where the Group is a lessee under a finance leases:

	2019 HK\$'000	2018 HK\$'000
Cost – capitalised finance lease	–	571
Accumulated depreciation	–	(158)
Net book value	–	413

From 1 January 2019, leased assets are presented as right-of-use assets in a separate line item in the consolidated statement of financial position (Note 15).

Note:

Proceeds from disposals of property, plant and equipment

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Net book amount	–	383
Losses on disposals	–	(381)
Proceeds from disposals of property, plant and equipment	–	2



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee.

(i) *Amounts recognised in the consolidated statement of financial position*

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 HK\$'000	1 January 2019* HK\$'000
<b>Right-of-use assets</b>		
Properties	13,422	17,988
Motor vehicle	351	413
	13,773	18,401
<b>Lease liabilities</b>		
Current portion	4,829	2,554
Non-current portion	5,466	12,238
	10,295	14,792

\* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases', under HKAS 17 "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 2.2.

Additions to the right-of-use assets during the year ended 31 December 2019 were HK\$448,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

#### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Depreciation charge of right-of-use assets</b>			
Properties		(5,055)	–
Motor vehicles		(62)	–
	8	(5,117)	–
Interest expense (included in finance expenses)	10	(678)	–
Expense relating to short-term leases (included in cost of services and administrative expenses)	8	(1,054)	–

The total cash outflow for leases during the year ended 31 December 2019 was HK\$4,983,000.

#### (iii) The Group's leasing activities and how these are accounted for

The Group leases various premises and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The leased motor vehicles were under the guarantee by the Company.

#### (iv) Termination options

Termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16 DEFERRED INCOME TAX

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

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Deferred income tax liabilities:		
Recoverable within 12 months	(1,585)	(1,619)
Recoverable after more than 12 months	(10,260)	(10,408)
<b>Deferred income tax liabilities</b>	<b>(11,845)</b>	<b>(12,027)</b>

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
<b>Deferred income tax assets</b>	
At 1 January 2018	320
Charged to the consolidated income statement (Note 12)	(320)
At 31 December 2018 and 1 January 2019	-
Charged to the consolidated income statement (Note 12)	-
At 31 December 2019	-

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 2019, no deferred income tax assets were derecognised (2018: HK\$320,000). As at 31 December 2019 and 2018, the Group did not have any unrecognised deferred income tax assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**16 DEFERRED INCOME TAX (Continued)**

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:

	<b>Accelerated tax depreciation HK\$'000</b>
<b>Deferred income tax liabilities</b>	
At 1 January 2018	10,722
Charged to the consolidated income statement (Note 12)	1,305
At 31 December 2018 and 1 January 2019	12,027
Credited to the consolidated income statement (Note 12)	(182)
At 31 December 2019	11,845

As at 31 December 2019, 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 (2018: Nil). As at 31 December 2019, deferred income tax liabilities of HK\$7,719,000 (2018: HK\$5,377,000) 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\$77,191,000 at 31 December 2019 (2018: HK\$53,770,000).

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>As at 31 December</b>	
	2019 HK\$'000	2018 HK\$'000
Assets as per consolidated statements of financial position		
Loans and receivables:		
– Trade receivables	87,659	68,978
– Deposits and other receivables	1,248	865
– Pledged time deposits	61,101	44,000
– Cash and cash equivalents	37,754	19,325
<b>Total</b>	<b>187,762</b>	<b>133,168</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortised cost:		
– Trade and bills payables	37,576	51,209
– Accruals and other payables	6,947	7,039
– Borrowings	99,789	58,868
– Lease liabilities	10,295	–
<b>Total</b>	<b>154,607</b>	<b>117,116</b>

### 18 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Trade receivables	87,659	68,978
Less: Loss allowance	–	–
Trade receivables, net of provision	87,659	68,978
Rental deposits	1,057	802
Other deposits	27	51
Prepayments	8,101	8,857
Other receivables	164	12
	9,349	9,722
Less: Non-current portion	(648)	(1,475)
	8,701	8,247
	96,360	77,225

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**18 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)**

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	
	2019 HK\$'000	2018 HK\$'000
Current	56,338	30,494
0 to 3 months	20,265	28,696
3 to 6 months	9,615	6,754
Over 6 months	1,441	3,034
	<b>87,659</b>	<b>68,978</b>

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	
	2019 HK\$'000	2018 HK\$'000
RMB	64,071	54,620
HK\$	32,937	24,080
	<b>97,008</b>	<b>78,700</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19 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	
	2019 HK\$'000	2018 HK\$'000
Cash at bank and on hand	37,754	19,325

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

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
HK\$	12,470	4,021
RMB	23,449	13,815
USD	35	24
MOP	1,793	1,457
Others	7	8
	37,754	19,325

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 0.15% (2018: 0.027%).

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 2019, pledged bank deposit of HK\$10,000,000 (2018: HK\$44,000,000) were held at bank as security for long term bank borrowings (Note 23(a)). The weighted effective interest rate on these deposits was 0.6% (2018: 0.6%). Pledged bank deposits were denominated in HK\$ and deposited with a creditworthy bank with no recent history of default.

As at 31 December 2019, pledged bank deposit of HK\$51,101,000 (2018: Nil) were held at bank as security for short term bank borrowings (Note 23(a)). The weighted effective interest rate on these deposits was 0.8% (2018: Nil). Pledged bank deposits were denominated in HK\$ and deposited with creditworthy banks with no recent history of default.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**20 SHARE CAPITAL AND SHARE PREMIUM**Authorised ordinary shares:

	Number of shares	Nominal value of ordinary shares HK\$'000
At 31 December 2018, 1 January 2019 and 31 December 2019	2,000,000,000	20,000

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
At 31 December 2018, 1 January 2019 and 31 December 2019	400,000,000	4,000	41,901



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 21 OTHER RESERVES

#### The Group

	Exchange reserve HK\$'000	Other reserves (note) HK\$'000	Total HK\$'000
As at 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 and 1 January 2019	(2,118)	5,314	3,196
Other comprehensive loss			
Currency translation differences	(2,831)	–	(2,831)
Total comprehensive loss	(2,831)	–	(2,831)
As at 31 December 2019	(4,949)	5,314	365

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)**22 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES**

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Current		
Trade and bills payables (note (a))	37,576	51,209
Accrual expenses	10,055	6,399
Contract liabilities (Note 24)	802	740
Other payables	576	640
Accruals and other payables	11,433	7,779
Total	49,009	58,988

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	
	2019 HK\$'000	2018 HK\$'000
RMB	12,453	11,797
HK\$	36,556	47,191
	49,009	58,988



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

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

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

### 23 BORROWINGS

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
<b>Current</b>		
Finance lease liabilities (Note (c))	–	149
Bank borrowings (Note (a))	70,789	11,300
	70,789	11,449
<b>Non-current</b>		
Bank borrowings (Note (a))	–	9,419
Loan from a third party (Note (b))	29,000	38,000
	29,000	47,419
	99,789	58,868

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**23 BORROWINGS (Continued)****(a) Bank borrowings**

At 31 December 2019, bank borrowings were denominated in HK\$ and secured by pledged time deposits of HK\$61,101,000 (note 19(b)) and the Company's corporate guarantee. These bank borrowings carried floating rate at HIBOR plus a margin per annum. The weighted effective interest rate on these bank borrowing was 5.0%.

As at 31 December 2018, bank borrowings were denominated in HK\$ and secured by a pledged time deposit of HK\$44,000,000 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.

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
On demand or within a period not exceeding one year	70,789	11,300
Between one to two years	–	9,419
	<b>70,789</b>	<b>20,719</b>

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	
	2019 HK\$'000	2018 HK\$'000
Within one year	50,920	11,300
Between one to two years	8,308	9,419
Between two to five years	11,561	–
	<b>70,789</b>	<b>20,719</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23 BORROWINGS (Continued)

#### (a) Bank borrowings (Continued)

The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Floating rate:		
– Expiring within one year	21,803	14

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

On 27 December 2018, AV Promotions Limited, a wholly owned subsidiary of the Company entered into a loan agreement with an independent third party with a principal of HK\$38,000,000, which is unsecured, bears fixed interest rate of 5% per annum and is fully repayable on 27 December 2023. During the year ended 31 December 2019, the Group early repaid the loan amounted to HK\$9,000,000 and subsequent to the year end on 13 January 2020, the Group further repaid the loan amounted to HK\$14,000,000.

#### (c) Finance lease liabilities

As at 31 December 2018, the Group leased motor vehicles with a carrying amount of HK\$149,000 under finance leases expiring within one year. Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See Note 2.2 for further information about the change in accounting policy for leases.

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	–	151
Minimum lease payments	–	151
Future finance charges	–	(2)
Total lease liabilities	–	149
The present value of finance lease liabilities is as follows:		
Within one year	–	149
Minimum lease payments	–	149

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**24 ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS**

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

	31 December 2019 HK\$'000	31 December 2018 HK\$'000
Contract assets relating to provision of services	889	584
Loss allowance (Note 3.1(a))	–	–
<b>Total contract assets</b>	<b>889</b>	<b>584</b>
Contract liabilities relating to provision of services	802	740

As at 31 December 2019, contract liabilities included in accruals and other payables amounting to HK\$802,000 (2018: HK\$740,000).

Revenue recognised that was included in the contract liabilities balance at the beginning of the year was HK\$740,000 (2018: HK\$1,803,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 25 CASH FLOW INFORMATION

#### Net debt reconciliation

This section sets out the movement of liabilities from financing activities for the years ended 31 December 2019 and 2018.

	Liabilities from financing activities				Total HK\$'000
	Lease liabilities HK\$'000	Interest payable HK\$'000	Bank borrowings HK\$'000	Loan from a third party HK\$'000	
<b>As at 1 January 2018</b>	373	-	150,883	-	151,256
Non cash-interest cost	-	5,608	-	-	5,608
Cash flows	(224)	(5,608)	(130,164)	38,000	(97,996)
<b>As at 31 December 2018 and 1 January 2019</b>	149	-	20,719	38,000	58,868
Recognised on adoption of HKFRS 16 (see Note 2.2)	14,643	-	-	-	14,643
	14,792	-	20,719	38,000	73,511
Non cash-interest cost	-	5,842	-	-	5,842
Cash flows	(4,983)	(4,976)	50,070	(9,000)	31,111
Acquisition – lease	448	-	-	-	448
Currency translation differences	38	-	-	-	38
<b>Net debt as at As at 31 December 2019</b>	10,295	866	70,789	29,000	110,950

### 26 DIVIDEND

No dividend has been paid or declared by the Company in respect of the years ended 31 December 2019 and 2018.

### 27 COMMITMENTS

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

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, see Note 15 for further information.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**27 COMMITMENTS (Continued)**

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

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Operating lease of premises:		
No later than 1 year	–	3,625
Later than 1 year and no later than 5 year	–	13,566
	–	17,191

The Group had no capital commitment as at 31 December 2019 and 2018.

**28 CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 December 2019 and 2018.

**29 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 2019 and 2018:

Name of the related party	Relationship with the Group
Mr. MP Wong	Executive director and the ultimate controlling shareholder of the Company

**(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	
	2019 HK\$'000	2018 HK\$'000
Salaries and other short-term employee benefits	7,406	6,234
Pension costs – defined contribution plans	72	57
	7,478	6,291



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		30,843	30,843
		30,843	30,843
<b>Current assets</b>			
Prepayment		100	160
Amount due from a subsidiary	(b)	24,664	26,360
Cash and cash equivalents		29	30
		24,793	26,550
<b>Total assets</b>		<b>55,636</b>	<b>57,393</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		4,000	4,000
Other reserve	(a)	72,744	72,744
Accumulated losses	(a)	(22,857)	(20,563)
<b>Total equity</b>		<b>53,887</b>	<b>56,181</b>
<b>Current liabilities</b>			
Accruals and other payables		387	388
Amounts due to subsidiaries	(b)	1,362	824
<b>Total liabilities</b>		<b>1,749</b>	<b>1,212</b>
<b>Total equity and liabilities</b>		<b>55,636</b>	<b>57,393</b>

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2020 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)**30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)****(a) Reserve movement of the Company**

	<b>Accumulated losses</b>	<b>Other reserve</b>
	HK\$'000	HK\$'000
As at 1 January 2018	(18,235)	72,744
Loss for the year	(2,328)	–
As at 31 December 2018	(20,563)	72,744
Loss for the year	(2,294)	–
As at 31 December 2019	(22,857)	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)

### 31 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 2019:

Name	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme contributions HK\$'000	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	
<b>Executive directors</b>							
Mr. MP Wong	-	1,200	580	1,200	18	-	2,998
Mr. CB Wong	-	755	138	-	18	-	911
Mr. HP Wong	-	531	44	204	-	-	779
Ms. Fu Bun Bun	-	1,072	70	157	-	-	1,299
	-	3,558	832	1,561	36	-	5,987
<b>Independent non-executive directors</b>							
Mr. Chow Chun To (Note)	88	-	-	-	-	-	88
Mr. Chen Yeung Tak	150	-	-	-	-	-	150
Mr. Cheung Wai Lun Jacky	150	-	-	-	-	-	150
Mr. Chan Wing Kee	150	-	-	-	-	-	150
	538	-	-	-	-	-	538

Note: The director was resigned on 31 July 2019.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)****(a) Directors' emoluments (Continued)**

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 HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme contributions HK\$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertaking	Total HK\$'000
						HK\$'000	
<b>Executive directors</b>							
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
<b>Independent non-executive directors</b>							
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)

### 31 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 2019 (2018: 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 2019 (2018: 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 2019 (2018: 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 2019 (2018: 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 2019 (2018: Nil).

### 32 SUBSEQUENT EVENTS

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

- (a) progress of the Group's projects in Hong Kong, the PRC and Macau were delayed temporarily in the first quarter of 2020 because of the postponement of work resumption after the Chinese New Year holiday, which may in turn affect the operating results of the Group for the first half of 2020; and
- (b) the temporary slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers of the Group, and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets.

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



## FINANCIAL SUMMARY

### RESULTS

	For the year ended 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	203,817	238,442	208,136	183,979	179,714
Cost of services	(132,452)	(165,821)	(159,606)	(140,808)	(141,671)
Gross profit	71,365	72,621	48,530	43,171	38,043
Profit/(loss) for the year	24,524	21,637	(4,610)	6,280	3,200

### ASSETS AND LIABILITIES

	As at 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets	117,220	139,495	144,362	83,248	77,755
Current assets	186,104	97,134	169,358	190,482	201,319
Non-current liabilities	44,726	57,827	111,248	55,723	10,984
Current liabilities	137,005	78,902	121,889	181,493	235,622
Net current assets/(liabilities)	49,099	18,232	47,469	8,989	(34,303)
Net Assets	121,593	99,900	80,583	36,514	36,468

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

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.