

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

SHARE OFFER



Sole Sponsor



Joint Bookrunners and Joint Lead Managers



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

AV PROMOTIONS HOLDINGS LIMITED

AV 策劃推廣(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 100,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares : 90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares : 10,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.60 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (maximum offer price payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 each
Stock code : 8419

Sole Sponsor



Halcyon Capital Limited

Joint Bookrunners and Joint Lead Managers



Halcyon Securities Limited



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司

Great Roc Capital Securities Limited

Co-lead Managers



宏匯證券有限公司
GRAND VIEW SECURITIES LIMITED

Grand View Securities Limited



KGI Capital Asia Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection – Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, 13 December 2017 and in any event not later than Tuesday, 19 December 2017. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date, the Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.avpromotions.com.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in "Risk factors" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set out in "Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate its obligations under the Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in "Underwriting" in this prospectus.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement on the website of our Company at www.avpromotions.com and the website of the Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾
2017

Public Offer commences and **WHITE** and
YELLOW Application Forms available from 9:00 a.m. on
Friday, 8 December

Application lists of Public Offer open^(Note 2) 11:45 a.m. on Wednesday, 13 December

Latest time for lodging **WHITE** and **YELLOW**
Application Forms 12:00 noon on Wednesday, 13 December

Application lists of Public Offer close^(Note 2) 12:00 noon on Wednesday, 13 December

Expected Price Determination Date on or before^(Note 3) Wednesday, 13 December

Announcement of the final Offer Price, indications of the levels
of interest in the Placing, the levels of applications of the
Public Offer and the basis of allotment and the results of applications
in the Public Offer to be published on the website of the Stock Exchange
at **www.hkexnews.hk** and our Company's website at
www.avpromotions.com on or before Wednesday, 20 December

Announcement of results of allocations in the Public Offer
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety of channels
including our Company's website at **www.avpromotions.com**
and the website of the Stock Exchange at **www.hkexnews.hk**
(for further details, please see "How to apply for
Public Offer Shares – 8. Publication of results"
in this prospectus) on or before Wednesday, 20 December

Results of allocations in the Public Offer will be available
at **www.tricor.com.hk/ipo/result** with a "search by ID"
function from Wednesday, 20 December

Despatch/collection of refund cheques in respect of wholly or partially
unsuccessful applications pursuant to the Public Offer on
or before^(Notes 5 to 8) Wednesday, 20 December

EXPECTED TIMETABLE

Despatch/collection of share certificates in respect of
wholly or partially successful applications pursuant to
the Public Offer on or before^(Notes 5 to 9) Wednesday, 20 December

Dealings in Shares on GEM expected to commence at 9:00 a.m. on
Thursday, 21 December

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9: 00 a.m. and 12: 00 noon on Wednesday, 13 December 2017, the application lists will not open and close on that day. For further details, please see “How to apply for Public Offer Shares – 7. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
3. The Price Determination Date is expected to be on or around Wednesday, 13 December 2017 and, in any event not later than Tuesday, 19 December 2017. If our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will not proceed.
4. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 20 December 2017, but will only become valid certificates of title at 8: 00 a.m. on Thursday, 21 December 2017, provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
5. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) and have provided all information required may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9: 00 a.m. to 1: 00 p.m. on Wednesday, 20 December 2017 or any other day as announced by us as the date of despatch/collect of share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

6. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
7. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to apply for Public Offer Shares – 11. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

EXPECTED TIMETABLE

8. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

For further details of the structure and conditions of the Share Offer, you should refer to “Structure and Conditions of the Share Offer” in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination” in this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit an offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, advisors, representatives or affiliates, or any other persons or parties involved in the Share Offer.

The contents on our Company's website at www.avpromotions.com do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a one-stop visual, lighting and audio solutions provider mainly in the PRC, Hong Kong and Macau with more than 25 years of operating history. We provided our customers with a comprehensive scope of services, from providing advice on the technical feasibility for our customers’ visual, lighting and/or audio designs, sourcing of appropriate equipment to help achieve our customers’ desired effects, on-site installation of equipment, providing on-show technical support to post-show equipment dismantling. We are capable of providing creative and innovative solutions in different events such as concerts, car shows, book fairs, brands & products expo, awards ceremonies, beauty pageant contests, auctions, promotional events, fashion shows, exhibitions, conferences, commercial events such as annual dinner and annual general meeting, as well as private events such as wedding banquet in different venues in the PRC, Hong Kong and Macau including but not limited to National Exhibition and Convention Centre in Shanghai, Hong Kong Coliseum, AsiaWorld-Expo, Hong Kong Convention and Exhibition Centre, Kowloonbay International Trade & Exhibition Centre, as well as function rooms of various hotels. With our experienced, dedicated and capable management team, as well as our one-stop integrated service approach, our Group is able to manage and coordinate different aspects of visual, lighting and audio solutions and endeavours to deliver a result that exceeds our customers’ expectations. According to Euromonitor Report, whilst the PRC market is highly fragmented, we ranked 4th in Hong Kong and 5th in Macau.

SUMMARY

The following table sets forth a breakdown of our revenue by types of events for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					<i>(Unaudited)</i>			
Exhibition	117,042	65.1	111,366	60.5	51,571	60.7	70,147	65.4
Ceremony	16,488	9.2	19,012	10.3	9,158	10.8	5,923	5.5
Conference	13,649	7.6	14,482	7.9	5,805	6.8	11,308	10.5
Concert	9,146	5.1	10,206	5.5	6,064	7.1	3,984	3.7
TV show	8,242	4.6	9,875	5.4	3,462	4.1	4,565	4.3
Product launch	7,447	4.1	9,256	5.0	4,643	5.5	5,619	5.2
Others ^(Note)	<u>7,700</u>	<u>4.3</u>	<u>9,782</u>	<u>5.4</u>	<u>4,282</u>	<u>5.0</u>	<u>5,690</u>	<u>5.4</u>
	<u>179,714</u>	<u>100.0</u>	<u>183,979</u>	<u>100.0</u>	<u>84,985</u>	<u>100.0</u>	<u>107,236</u>	<u>100.0</u>

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

BUSINESS MODEL

We generated revenue through the provision of visual solutions, lighting solutions and audio solutions to our customers. Our business of visual solutions involves the provision of services ranging from the provision of technical advice, pre-production preparation to operating support. The business of lighting solutions includes the provision of staging lighting design with professional lighting equipment and control panel, creating different lighting combinations for different purposes. The business of audio solutions involves the provision of advice on the optimum audio effects to meet our customers' needs in the audio part of particular events. Depending on the specifications and requirements of our customers, we, relying on our expertise and experience, will identify the appropriate visual, lighting and audio equipment in providing our services. For the year ended 31 December 2016, approximately 50.9%, 42.7% and 6.4% of our revenue were generated from the PRC, Hong Kong and Macau respectively. For the year ended 31 December 2015, approximately 56.1%, 36.4% and 7.5% of our revenue were generated from the PRC, Hong Kong and Macau respectively. For the six months ended 30 June 2016, approximately 49.5%, 43.9% and 6.6% of our revenue were generated from the PRC, Hong Kong and Macau respectively. For the six months ended 30 June 2017, approximately 70.1%, 21.8% and 8.1% of our revenue were generated from the PRC, Hong Kong and Macau respectively.

We take into account a number of factors in determining our fee quotation to our customers, such as type and quantity of the equipment required, project duration, level of manpower required for on-site installation, dismantling and operation of equipment and transportation cost, as well as the cost we expect to incur for third-party services (if required).

SUMMARY

COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- we have an experienced and dedicated management with proven track record in the visual, lighting and audio solutions industry;
- we are capable of providing our customers with a one-stop service which includes visual, lighting and audio solutions;
- we have stable and long-term business relationships with our customers.

OUR BUSINESS STRATEGIES

Our key business strategies are to:

- maintain and strengthen our strong market position in the PRC, Hong Kong and Macau by continuing to provide innovative solutions to our customers
- expand our business to related services in the projects
- deepen our customer relationships and further expand our customer base

FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the consolidated income statements, consolidated statements of financial position and consolidated statements of cash flows of our Group:

Results of operations

	Year ended		For the six months	
	31 December	31 December	ended 30 June	ended 30 June
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Revenue	179,714	183,979	84,985	107,236
Gross Profit	38,043	43,171	19,578	23,600
Profit/(loss) before income tax	4,296	9,038	2,576	(1,072)
Profit/(loss) for the year/period <i>(Note 1 and 2)</i>	3,200	6,280	1,721	(3,046)

SUMMARY

Financial Position

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
Non-current assets	77,755	83,248	84,893
Current assets	201,319	190,482	151,690
Current liabilities	235,622	181,493	147,329
Non-current liabilities	10,984	55,723	54,754
Net current (liabilities)/assets <i>(Note 3)</i>	(34,303)	8,989	4,361
Total equity	32,468	36,514	34,500

Note:

- For illustrative purpose only, by excluding listing expenses recognised as administrative expenses in FY2016 amounted to HK\$4.3 million, profit for the year of our Group in FY2016 will be amounted to HK\$10.6 million.
- For illustrative purpose only, by excluding listing expenses recognised as administrative expenses in 6M2016 and 6M2017 amounted to HK\$1.4 million and HK\$8.1 million respectively, profit for the period of our Group will be amounted to HK\$3.1 million and HK\$5.0 million respectively.
- As at 31 December 2015, our Group recorded bank borrowings amounted to HK\$176.2 million which are repayable on demand or within one year. Included in such balance, HK\$48.7 million of which were bank borrowings with repayment schedule of over one year but subject to repayable on demand clause and classified as current liabilities. As a result, our Group recorded a net current liabilities position as at 31 December 2015.

Cash flows

	FY2015	FY2016	6M2016	6M2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Operating profits before working capital changes	23,128	27,259	10,650	8,016
Net cash generated from/(used in) operating activities	41,217	45,343	32,546	(50,712)
Net cash (used in)/generated from investing activities	(49,159)	33,351	20,249	26,209
Net cash generated from/(used in) financing activities	7,795	(8,518)	(20,169)	(23,657)
Net (decrease)/increase in cash and cash equivalents	(147)	70,176	32,626	(48,160)

SUMMARY

Key financial ratios

	FY2015	FY2016	6M2017
Gross profit margin	21.2%	23.5%	22.0%
Net profit margin	1.8%	3.4%	(2.8%)
Return on assets	1.1%	2.3%	N/A ^{(Note (2))}
Return on equity	9.9%	17.2%	N/A ^{(Note (2))}
Current ratio	0.9 times	1.0 times	1.0 times
Quick ratio	0.9 times	1.0 times	1.0 times
Gearing ratio ^{(Note (1))}	542.6%	444.1%	409.4%
Debt to equity ratio	497.9%	245.7%	337.4%
Interest coverage ratio	1.9 times	3.1 times	0.5 times

Note (1): Gearing ratio is calculated as total borrowings divided by total equity as at the respective year-end/period-end date and multiplied by 100%.

Note (2): Such ratio is not applicable as it is not comparable to annual numbers.

Our revenue increased slightly by 2.4% from HK\$179.7 million in FY2015 to HK\$184.0 million in FY2016. The increase was mainly contributed by the overall slight increase in revenue generated from those major events including conference, concert, exhibition and ceremony, as a result of general increment of our services fee and number of projects carried out by our Group. Our revenue increased by 26.2% from HK\$85.0 million in 6M2016 to HK\$107.2 million in 6M2017. The increase was mainly contributed by the increase in our revenue generated from the exhibition events.

Our gross profit increased by 13.5% from HK\$38.0 million in FY2015 to HK\$43.2 million in FY2016. The increase in our gross profit was contributed by the combined effect of: (i) the slight increase in revenue by 2.4%; and (ii) the slight decrease in the cost of sales as a result of our Group's streamlining of our operations in the PRC. Exhibition remained our major gross profit contributing type of event during the Track Record Period, which represented 62.0%, 59.0% and 64.0% of our total gross profit for FY2015, FY2016 and 6M2017 respectively. Our gross profit increased by 20.5% from HK\$19.6 million in 6M2016 to HK\$23.6 million in 6M2017, which was mainly contributed by the increase in our gross profit from the exhibition events.

For a further discussion and analysis of our financial information, please see "Financial Information" in this prospectus.

CUSTOMERS

For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our Group's five largest customers, who are Independent Third Parties, accounted for approximately 57.5%, 51.2% and 57.9% of our total revenue with the largest customer account for approximately 38.8%, 29.2% and 34.7% of our total revenue, respectively. We have built and maintained solid business relationship with our five largest customers for a period from approximately 3 years to 18 years during the Track Record Period.

SUMMARY

Our customers primarily include companies which distribute or manufacture brand automobiles, marketing and event company, statutory body in Hong Kong and commercial organisations.

SUPPLIERS

Our suppliers include manufacturers and sellers of visual, lighting and/or audio equipment, equipment rental companies, logistics company and ad hoc manpower service providers. Our top five largest suppliers, who are Independent Third Parties, accounted for approximately 26.5%, 19.9% and 24.9% of the total costs, with our largest supplier accounted for approximately 12.8%, 6.8% and 8.6% of our total costs for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 respectively.

FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK\$0.50 per Offer Share, being the mid-point of the indicative range stated in this Prospectus, the estimated net proceeds of the Share Offer we will receive after deduction of underwriting fees and commissions and estimated expenses which is, estimated to be approximately HK\$25.0 million, will be approximately HK\$25.0 million before any exercise of the Offer Size Adjustment Option.

Our Company currently intends to use the net proceeds from the Share Offer as follows:

	From the Listing Date to 31 December 2017 <i>HK\$ million</i>	30 June 2018 <i>HK\$ million</i>	31 December 2018 <i>HK\$ million</i>	30 June 2019 <i>HK\$ million</i>	31 December 2019 <i>HK\$ million</i>	Total <i>HK\$ million</i>	Approximate percentage of net proceeds
Acquisition of advanced visual, lighting and audio equipment (including equipment to be used in the new studio in Shanghai)	2.8	5	5	5.5	–	18.3	73.2%
Setting up a new studio in Shanghai (excluding the cost of equipment purchase to display in the studio)	1	0.6	0.6	0.6	–	2.8	11.2%
Improving operating efficiency – development of new backdrop construction team and hiring technicians	0.35	0.35	0.35	0.45	–	1.5	6.0%
General working capital and other corporate uses	0.6	0.6	0.6	0.6	–	2.4	9.6%
Total :	4.75	6.55	6.55	7.15	–	25.0	100%

SUMMARY

For details, please see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

LISTING EXPENSES

Our total listing expenses is expected to be amounted to HK\$25.0 million (including underwriting commission of HK\$2.5 million, assuming mid-point of the proposed Offer Price range and before any exercise of the Offer Size Adjustment Option to be paid to the Underwriters).

We incurred listing expenses of HK\$4.3 million and HK\$8.1 million for FY2016 and 6M2017 respectively in the profit or loss account. For the remaining six months in FY2017, our Group expect to incur an additional listing expense of (i) HK\$4.5 million to be recognised as administrative expense and (ii) HK\$8.1 million as a deduction in equity directly upon Listing.

KEY STATISTICS OF THE SHARE OFFER

	Based on the Offer Price of HK\$0.40 per Offer Share	Based on the Offer Price of HK\$0.60 per Offer Share
Market capitalisation of the Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue ^(Note 1)	HK\$160.0 million	HK\$240.0 million
Unaudited pro forma adjusted net tangible assets of our Group per Share ^(Note 2)	HK\$0.157	HK\$0.202

Notes:

1. The calculation of the market capitalisation is based on 400,000,000 Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma adjusted net tangible asset value per Offer Share is determined at after the adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information” and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 30 June 2017 but takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, or any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate.

DIVIDEND

Our Company has not declared or paid dividend during the Track Record Period and up to the Latest Practicable Date. Our Group currently does not have a fixed dividend policy. The declaration and payment of future dividends will be subject to our Directors’ discretion and will depend on our financial condition, results of operation, cash availability, statutory and regulatory restrictions in relation thereto, future prospects, and any other factors that our Directors may consider relevant. Dividends may be paid only out of our Group’s

SUMMARY

distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our Group's operations.

SUMMARY OF MATERIAL RISK FACTORS

We believe that there are certain risks involved in our business and operations. These risks can be categorised into (i) risks relating to our business operations and our industry; (ii) risks relating to the economic and political conditions in Hong Kong; (iii) risks relating to doing business in the PRC; (iv) risks relating to doing business in Macau; (v) risks relating to the Shares and the Share Offer; and (vi) risks relating to statements in this prospectus. The most significant risks are summarised as follows:

- We rely on our largest customer with which we do not enter into long-term agreement
- Our competitiveness and results of operations depend on our ability to keep pace with the technological advancement and we may be unable to adapt to the advance of technology and technology needs of our customers
- Our operating results are affected by changes in trends of the marketing and/or entertainment industry and we may be unable to adapt to the changing demands, market preferences and market trends in respect of our customers' respective industries to compete effectively
- Our continued success depends on our ability to retain the services of our key management personnel and our key technicians and any loss of their service may impair our ability to maintain our continued success

For more details of the risks we are exposed to, please refer to "Risk Factors" in this Prospectus.

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not comply with certain applicable laws and regulations. These non-compliance incidents include (i) failure to complete the registration of three lease agreements with the relevant municipal land and real estate administration department in the PRC, and the deviation in use of two leased properties in the PRC from their permitted uses as stated in the relevant property ownership certificates*(房地產權證書); (ii) failure to register with the relevant social insurance authority and the relevant local housing fund management centre in respect of social security and housing provident fund; (iii) failure to apply for employment permits for 18 non-PRC resident employees; (iv) non-filing of the notification of resignation of auditors with the Hong Kong Companies Registry; (v) failure to timely file notifications in relation to cessation of employment of Hong Kong staff; and (vi) failure to include certain statutorily required terms in our Macau employees' employment contracts and to procure terms contained therein to be consistent with the relevant provisions of the Macau employment laws.

SUMMARY

For details of the incidences of non-compliance and internal control measures adopted to prevent re-occurrence, please refer to “Business – Legal and Compliance Matters – Summary of non-compliances” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to (i) 75% by Mega King which is an investment holding company and wholly-owned by Jumbo Fame, and Jumbo Fame is an investment holding company and wholly-owned by the Trustee as the trustee of The WMPE Family 2017 Trust, an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee; and (ii) 25% by public Shareholders.

MATERIAL ADVERSE CHANGE

The impact of (i) listing expenses of which HK\$4.5 million is expected to be recognised as administrative expenses in the remaining months of 2017; (ii) the additional depreciation charge to be recorded by our Group in relation to the new Shanghai studio which is expected to be amounted to HK\$1.0 million for the year ending 31 December 2017 (and is expected to be amounted to HK\$0.9 million for the year ending 31 December 2018); and (iii) the additional professional fees to be recorded in connection with the Listing (including but not limited to auditor’s remuneration, compliance adviser fee, annual listing fee, fees in relation to publication of corporate communications in compliance with the annual obligations of our Company under the GEM Listing Rules and retained lawyers’ fee) which is expected to be amounted to HK\$0.8 million for the year ending 31 December 2017 (and is expected to be amounted to HK\$2.3 million for the year ending 31 December 2018) making a total of HK\$6.3 million for the year ending 31 December 2017 (and is expected to be amounted to HK\$3.2 million for the year ended 31 December 2018) on the profit and loss accounts has posed a material change in the financial or trading position or prospects of our Company or its subsidiaries since 30 June 2017 (being the date of the latest audited consolidated financial statements were made up) and our Group may record a loss in 2017. Prospective investors should be aware of the abovementioned impact on the financial performance of our Group for the year ending 31 December 2017.

Our Directors have confirmed that, up to the date of this prospectus, save for the abovementioned impact on the profit or loss accounts, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017, being the date on which the latest audited consolidated financial statements of our Group were made up, and there is no event since 30 June 2017 which would materially affect the results shown in the Accountant’s Report set out in Appendix I to this prospectus.

SUMMARY

RECENT DEVELOPMENT

We have continued to focus on our principal business of providing of visual, lighting and audio solutions to our customers in the PRC, Hong Kong and Macau. After the Track Record Period and up to the Latest Practicable Date, we participated in aggregate over 500 visual, lighting and audio projects in the PRC, Hong Kong and Macau, with an aggregate contract sum amounted to approximately HK\$69.6 million including but not limited to (i) the provision of visual solutions in certain events in celebrating the 20th anniversary of the establishment of the Hong Kong Special Administrative Region; (ii) the provision of visual solutions in Hong Kong's first e-sports and music festival; (iii) the provision of visual solutions in the Hong Kong's annual beauty pageant organised by a major Hong Kong television broadcast station; (iv) the provision of visual solutions in a large scale conference in PRC for a domestic company; (v) conference related to "One Belt, One Road"; and (vi) various activities for the celebration of the National Day of the PRC.

Contributed by the above mentioned service rendered after the Track Record Period, our Group continue to record revenue generated from provision of visual, lighting and audio solutions to our customers and also an increase in our Group's net asset value as compared to 30 June 2017.

Furthermore, we have entered into over 30 new contracts of various scale and committed orders with aggregate contract sum of approximately HK\$12.3 million as at the Latest Practicable Date, in which, we will be providing visual, lighting and/or audio solution to (i) auto shows in various cities in the PRC; (ii) various conference, concert and exhibition in Hong Kong; and (iii) a light festival in Macau.

To the best knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition of the visual, audio and lighting solutions in the PRC, Hong Kong and Macau which would materially affect the operation or performance of our principal business. Our Directors confirmed that, up to the date of this prospectus, save for the impact of (i) listing expenses of which HK\$4.5 million is expected to be recognised as administrative expenses in the remaining months of 2017; (ii) the additional depreciation charge to be recorded by our Group in relation to the new studio to be set up by our Group in Shanghai; and (iii) the additional professional fees to be recorded in connection with the Listing (including but not limited to auditor's remuneration, compliance adviser fee, annual listing fee, fees in relation to publication of corporate communications in compliance with the annual obligations of our Company under the GEM Listing Rules and retained lawyers' fee), and hence our Group may record a loss in 2017, there has been no material adverse change in our financial or trading position or prospects of our Company or its subsidiaries since 30 June 2017, the end of the reporting period of our Accountant's Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“6M2016”	the six months ended 30 June 2016, being the first half of the financial year of our Company ended 31 December 2016
“6M2017”	the six months ended 30 June 2017, being the first half of the financial year of our Company ended 31 December 2017
“Administrative Licensing Law”	Decree-Law No. 47/98/M, as amended by Law No. 10/2003 in Macau
“Administrative Regulation”	Administrative Regulation No. 8/2010, published in the Macau Official Gazette, no. 16-I, dated 19 April 2010
“Annual Budget Law”	Law No. 11/2016 dated 30 December 2016
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or, where the context so requires, any of them
“Appointer”	the appointer of the WMPE Family 2017 Trust, namely, Mr. MP Wong
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 1 December 2017 and effective on the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“AV Beijing Jiaye”	北京創意嘉業展覽展示策劃有限公司 (Beijing Chuangyi Jiaye Zhanlan Zhanshi Cehua Limited Company*), a company established in the PRC with limited liability on 29 June 2005, which was directly held as to 100% by AVP prior to its disposal to three Independent Third Parties respectively on 9 July 2016
“AV Beijing Yuanfang”	北京創意元方企業策劃有限公司 (Beijing Chuangyi Yuanfang Qiye Cehua Limited Company*), a company established in the PRC with limited liability on 3 March 2015, which was directly held as to 100% by AVP prior to its deregistration on 19 May 2017

DEFINITIONS

“AV Guangzhou”	廣州市艾維展覽服務有限公司 (Guangzhoushi Aiwei Zhanlan Fuwu Limited Company*), a company established in the PRC with limited liability on 8 February 2010, which is indirectly held as to 100% by our Company
“AV Promotions (BVI)”	AV Promotions (BVI) Limited, a company incorporated in the BVI with limited liability on 24 February 2017, which is directly held as to 100% by our Company
“AV Shanghai”	上海奧維舞臺設備有限公司 (Shanghai Aowei Wutai Shebei Limited Company*), a company established in the PRC with limited liability on 10 June 2003, which is indirectly held as to 100% by our Company
“AVP”	AV Promotions Limited (AV策劃推廣有限公司), a company incorporated in Hong Kong with limited liability on 5 August 1986, which is indirectly held as to 100% by our Company
“AVP Macao”	AVP (Macao) Limited (AVP策劃推廣(澳門)有限公司), a company incorporated in Macau with limited liability on 28 November 2006, which is indirectly held as to 100% by our Company
“AVP (BVI)”	AVP (BVI) Limited, a company incorporated in the BVI with limited liability on 24 February 2017 which is directly held as to 100% by our Company
“AVP (Macau) Investment”	AVP (Macau) Investment Limited, a company incorporated in the BVI with limited liability on 24 February 2017 which is directly held as to 100% by our Company
“Board” or “Board of Directors”	the board of Directors
“Business Registration Ordinance”	Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 299,999,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in “Statutory and General Information – A. Further Information about our Company – 3. Written Resolution of our Sole Shareholder passed on 1 December 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company Law (The PRC)”	《中華人民共和國公司法》 (The Company Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 29 December 1993 and became effective on 1 July 1994, revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	AV Promotions Holdings Limited (AV策劃推廣(控股)有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2017

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and in the case of our Company, means collectively, Jumbo Fame, Mega King and Mr. MP Wong
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“CWUMPO”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Decree-Law no. 34/93/M”	Decree-Law no. 34/93/M, published in the Macau Official Gazette, no 28-I, dated 12 July 1993
“Decree-Law no. 40/95/M”	Decree-Law no. 40/95/M, amended by Law no. 6/2015 in Macau
“Deed of Indemnity”	a deed of indemnity dated 1 December 2017 and entered into by our Controlling Shareholders as indemnifiers with and in favour of our Company (for itself and as trustee for its subsidiaries) in respect of, among other things, certain indemnities regarding taxation as referred to “Statutory and General Information – E. Other Information – 1. Tax and other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 1 December 2017 and entered into by our Controlling Shareholders with our Company (for itself and on behalf of all members of our Group), further details of which are set out in “Relationship with our Controlling Shareholders – Deed of Non-competition” in this prospectus
“Deed of Reorganisation”	a deed of reorganisation dated 1 December 2017 and entered into by our Controlling Shareholders as warrantors and our Company, pursuant to which our Controlling Shareholders gave various warranties and representations to our Company in respect of, among other matters, the Reorganisation

DEFINITIONS

“Director(s)”	the director(s) of our Company as at the date of this prospectus
“DSAL”	The Labour Affairs Bureau in Macau
“EIT Law”	《中華人民共和國企業所得稅法》 (Enterprise Income Tax Law of the People’s Republic of China*), promulgated by the National People’s Congress on 16 March 2007 and became effective on 1 January 2008
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended and supplemented from time to time
“Employment Law”	Law No. 7/2008, published in the Macau Official Gazette No. 33-I dated 18 August 2008, amended by Law No. 2/2015 effective from 21 April 2015
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Euromonitor”	Euromonitor International Limited, a global market research and consulting company, which is an Independent Third Party
“Euromonitor Report”	the report prepared by Euromonitor in relation to the market research on the industry of our Group’s businesses, further information of which is set out in “Industry Overview” of this prospectus
“Excluded Businesses”	the principal businesses carried on by the Excluded Companies
“Excluded Companies”	companies apart from the companies within our Group and companies which are investment or property holding vehicles, in which are controlled by Mr. MP Wong and/or his close associates
“External Commerce Law”	Law No. 7/2003, dated 23 June 2003, as amended by Law 3/2016 of 4 July 2016 in Macau
“Foreign Investment Enterprise Law”	《中華人民共和國外資企業法》 (The Foreign Investment Enterprise Law of the People’s Republic of China*), promulgated by the National People’s Congress on 12 April 1986, revised on 31 October 2000 and 3 September 2016

DEFINITIONS

“FY2015”	the financial year ended 31 December 2015
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ending 31 December 2017
“FY2018”	the financial year ending 31 December 2018
“FY2019”	the financial year ending 31 December 2019
“FY2020”	the financial year ending 31 December 2020
“GDP”	Gross Domestic Product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as amended, modified and supplemented from time to time
“Government”	the government of Hong Kong
“Group”, “our Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“Guidance Catalog”	《外商投資產業指導目錄》 (The Guidance Catalog of Industries for Foreign Investment*), jointly issued by the Ministry of Commerce and the National Development and Reform Commission in 1995, revised in 1997, 2002, 2004, 2007, 2011 and 2015
“Halcyon Capital” or “Sole Sponsor”	Halcyon Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the sole sponsor to the Share Offer
“HK\$” or “HKD” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards issued by HKICPA
“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA

DEFINITIONS

“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Implementation Rules of Foreign Investment Enterprise Law”	《中華人民共和國外資企業法實施細則》(The Implementation Rules of Foreign Investment Enterprise Law of the People’s Republic of China*), approved by the State Council on 28 October 1990 and promulgated by the Ministry of Foreign Trade and Economic Cooperation on 12 December 1990, revised on 12 April 2001 and 19 February 2014
“Income Tax Law”	Law No. 21/78/M dated 9 September 1978, lastly amended by Law No. 4/2005 in Macau
“Indemnifiers”	Mr. MP Wong, Jumbo Fame and Mega King
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial Shareholders (within the meaning of the GEM Listing Rules) or our Company, its subsidiaries or any of their respective associates and not otherwise a connected person of our Company
“Industrial Contribution Law”	Law no. 15/77/M dated 31 December 1977 in Macau, lastly amended by Law No. 7/89/M
“Inland Revenue Ordinance”	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Interim Regulations on Value-added Tax”	《中華人民共和國增值稅暫行條例》(Interim Regulations on Value-added Tax of the People’s Republic of China*), promulgated by the State Council on 13 December 1993, became effective on 1 January 1994, revised on 10 November 2008 and 6 February 2016

DEFINITIONS

“Joint Bookrunners” or “Joint Lead Managers”	Halcyon Securities Limited, a licensed corporation under the SFO permitted to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities (as defined under the SFO) and Great Roc Capital Securities Limited, a licensed corporation under the SFO permitted to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities (as defined under the SFO) and, being the joint bookrunners and joint lead managers to the Share Offer
“Jumbo Fame”	Jumbo Fame Company Limited, a company incorporated in the BVI as a BVI business company on 2 December 2016, which is directly held as to 100% by the Trustee
“Labour Contract Law”	《中華人民共和國勞動合同法》 (Labour Contract Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 29 June 2007, became effective on 1 January 2008, subsequently revised on 28 December 2012 and then became effective on 1 July 2013
“Labour Law”	《中華人民共和國勞動法》 (Labour Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 5 July 1994, became effective on 1 January 1995, revised on 27 August 2009
“Land Administration Law”	《中華人民共和國土地管理法》 (the Land Administration Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 25 June 1986, revised on 29 December 1988, 29 August 1998 and 28 August 2004
“Latest Practicable Date”	3 December 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Law 4/2010”	Law 4/2010, published in the Macau Official Gazette no. 24-I, dated 23 August 2010, effective since 1 January 2011
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong

DEFINITIONS

“Listing”	the listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 21 December 2017, on which dealings in the Shares first commence on GEM
“Macau”	The Macau Special Administrative Region of the PRC
“Macau Commercial Code”	Approved by Decree-Law No. 40/99/M dated 3 August 1999, subsequently amended by Law No. 6/2000, Law No. 16/2009 and Law No. 4/2015
“Macau Commercial Registration Code”	Approved by Decree-Law No. 56/99/M dated 18 October 1999, subsequently amended by Law No. 5/2000 and Law No. 6/2012
“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Mega King”	Mega King Elite Investment Limited, a company incorporated in the BVI with limited liability on 22 February 2017, which is indirectly held as to 100% by the Trustee
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 1 December 2017 and effective on the Listing Date and as amended from time to time (a summary of which is set out in Appendix III to this prospectus)
“MICE”	meetings, incentives, conferences and events
“Minimum Wage Ordinance”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“MOP”	Macau pataca, the lawful currency of Macau
“Mr. CB Wong”	Mr. Wong Chi Bor (黃志波), an executive Director, younger brother of Mr. MP Wong and Mr. HP Wong, the spouse of Ms. Yau Lai Ling, the General Manager of our Company
“Mr. HP Wong”	Mr. Wong Hon Po (黃漢波), an executive Director, younger brother of Mr. MP Wong and elder brother of Mr. CB Wong and brother-in-law of Ms. Yau Lai Ling, the General Manager of our Company

DEFINITIONS

“Mr. MP Wong”	Mr. Wong Man Por (黃文波), an executive Director, the chairman of the Board and our Controlling Shareholder, elder brother of Mr. HP Wong and Mr. CB Wong and brother-in-law of Ms. Yau Lai Ling, the General Manager of our Company
“Mrs. Wong”	Ms. Kong Suet Yau (江雪柔), the spouse of Mr. MP Wong and the sister-in-law of Mr. HP Wong and Mr. CB Wong
“Ms. Fu”	Ms. Fu Bun Bun (傅彬彬), an executive Director and chief executive officer of our Company
“Noise Control Ordinance”	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Non-Resident Employment Law”	Law No. 21/2009, published in the Macau Official Gazette no. 43-I dated 27 October 2009, amended by Law No. 4/2013
“Notice of taxation on Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement”	《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(Notice of the State Administration of Taxation On Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement*), promulgated on 20 February 2009
“Occupational Safety and Health Ordinance”	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupiers Liability Ordinance”	Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.
“Offer Price”	the final price per Offer Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK\$0.60 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in “Structure and Conditions of the Share Offer – Offer Price” in this prospectus
“Offer Shares”	collectively, the Public Offer Shares and the Placing Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters under the Placing Agreement, exercisable by the Joint Lead Managers on behalf of the Placing Underwriters, at their absolute discretion, whereby our Company may be required to allot and issue up to 15,000,000 additional Placing Shares, representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover any over allocation in the Placing, subject to the terms of the Placing Underwriting Agreement
“Operating Companies”	AVP, AVP Macao, AV Guangzhou and AV Shanghai
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with professional, institutional and other investors as described in “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 90,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and the Offer Size Adjustment Option, as described in “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into on the Price Determination Date by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor and the Placing Underwriters
“PRC” or “China”	The People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	北京國楓律師事務所 (Beijing Grandway Law Offices), our Company’s legal advisers as to PRC laws
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price

DEFINITIONS

“Price Determination Date”	the date on which the Offer Price is expected to be fixed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), which is expected to be on or around 13 December 2017 and in any event no later than 19 December 2017
“Predecessor Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time prior to 3 March 2014
“Professional Tax Law”	Law No. 2/78/M dated 25 February 1978, lastly amended by Law No. 12/2003 in Macau
“Property Rights Law”	《中華人民共和國物權法》(the Property Rights Law of the People’s Republic of China*), promulgated by the National People’s Congress on 16 March 2007 and became effective on 1 October 2007
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms and as described in “Structure and Conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	the 10,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription at the Offer Price under the Public Offer as described in “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 7 December 2017 relating to the Public Offer entered into by our Company, our executive Directors, our Controlling Shareholders, the Trustee (as trustee of The WMPE Family 2017 Trust), the Sole Sponsor and the Public Offer Underwriters
“Regulation S”	Regulation S under the U.S. Securities Act
“Regulations on Foreign Exchange Control”	《中華人民共和國外匯管理條例》(Regulations on Foreign Exchange Control of the PRC*), promulgated by the State Council on 29 January 1996 and came into effect on 1 April 1996, revised on 14 January 1997 and 1 August 2008

DEFINITIONS

“Regulations on Management of Housing Provident Funds”	《住房公積金管理條例》(Regulations on Management of Housing Provident Funds*), promulgated by the State Council on 3 April 1999, revised on 24 March 2002
“Reorganisation”	the corporate reorganisation arrangements implemented by our Group in preparation for the Listing, details of which are set out in “History, Corporate Development and Reorganisation – Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange
“Settlor”	Mr. MP Wong, the sole settlor of The WMPE Family 2017 Trust
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Aiwei”	上海愛維音像設備有限公司 (Shanghai Aiwei Yinxing Shebei Limited Company*), a company established in the PRC with limited liability on 21 July 1999, which held 10% equity interest in Shanghai Audio
“Shanghai Audio”	上海顯晟音像設備有限公司 (Shanghai Xian Cheng Audio Equipment Co., Ltd*), a company established in the PRC with limited liability ((台港澳與境內合資)Taiwan, Hong Kong, Macau and domestic equity joint*) on 15 June 2000, which was directly held as to 90% by AVP and 10% by Shanghai Aiwei prior to its deregistration on 6 February 2017
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	collectively, the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 1 December 2017, the principal terms of which are summarised in “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Sino-Foreign Cooperative Enterprise Law”	《中華人民共和國中外合作經營企業法》(The Sino-Foreign Cooperative Enterprise Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 13 April 1988, revised on 31 October 2000, 3 September 2016 and 7 November 2016
“Sino-Foreign Equity Joint Venture Law”	《中華人民共和國中外合資經營企業法》(The Sino-Foreign Equity Joint Venture Enterprise Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 8 July 1979, revised on 4 April 1990, 15 March 2001 and 3 September 2016
“Social Insurance Law”	《中華人民共和國社會保險法》(Social Insurance Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 28 October 2010, became effective on 1 July 2011
“Specification of Arrangements the Mainland of China Avoidance of Double Taxation and the Prevention of Fiscal Evasion”	《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(Specification of Arrangements the Mainland of China Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income Order*), promulgated by the State Administration of Taxation on 21 August 2006, revised on 31 January 2008, 27 May 2010 and 1 April 2015
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and details of our Substantial Shareholders are set out in “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“The WMPE Family 2017 Trust”	a discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The assets of the trust comprise the entire issued share capital of Jumbo Fame and any additional assets or sums of money or other property as the Settlor may wish to settle into the trust

DEFINITIONS

“Track Record Period”	the period comprising two financial years of our Group ended 31 December 2016 and the six months ended 30 June 2017
“Trade Marks Ordinance”	Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), as amended and supplemented from time to time
“Trust Deed”	a trust deed dated 10 April 2017 entered into by with Mr. MP Wong as the Settlor and the Appointer and by the Trustee as the trustee
“Trustee”	Trident Trust Company (HK) Limited, a company incorporated in Hong Kong on 21 July 2011 with limited liability and the trustee of The WMPE Family 2017 Trust
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Urban Real Estate Administration Law”	《中華人民共和國城市房地產管理法》 (the Urban Real Estate Administration Law of the People’s Republic of China*), promulgated by the Standing Committee of the National People’s Congress on 5 July 1994, revised on 30 August 2007 and 27 August 2009
“U.S.”	United States of America, its territories and possessions, and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“USD” or “US\$”	United State dollars, the lawful currency of the U.S.
“WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
“€”	Euro, the lawful currency of the Eurozone

DEFINITIONS

“%”	per cent
“*”	for identification only

In this prospectus, the English translations of the official Chinese names of laws or regulations, government authorities, companies, departments, entities, institutions, natural persons, facilities, certificates, titles, addresses of the PRC and Macau and the like for which no official English translation exists have been unofficially translated for identification purposes only. Should there be any inconsistency between the Chinese names and the English translations, the Chinese names shall prevail.

In this prospectus, unless otherwise specified, references to “provinces” in the PRC also include ethnic minority autonomous regions and municipalities directly administered by the central government.

Unless the context requires otherwise, translation of RMB, MOP and USD into HKD and vice versa are made in this prospectus, for illustration purposes only, at the rate RMB0.88 to HKD1.0, MOP1.0304 to HKD1.0 and USD1.0 to HKD7.8 respectively. Such conversions shall not be construed as representations that any amount in RMB, HKD, MOP and USD were or may have been or may be converted into those currencies or vice versa at the above rates or at any other rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our Group's business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others.

“AV solutions” or “visual, lighting and audio solutions”	customised services including (i) equipment rental; (ii) consultation and design services which help client to achieve desired audio-visual effects, provide recommendations to the selection, coordination and configuration of equipment and/or creative design and concept proposal on e.g. graph, backdrop, props, stage and stage effect design; (iii) production services e.g. props production, filming & editing, animation, motion graphics; and (iv) technical services e.g. set up, installation, testing and commissioning of the recommended equipment, execution of staging and presentation plans, technical support for events such as concerts & award ceremonies, exhibitions, road shows, weddings and press conferences
“LCD”	a flat-panel display or other electronic visual display that uses the light-modulating properties of liquid crystals
“LED”	light-emitting diode, a two-lead semiconductor light source to provide illumination of display service
“mapping”	a technology used to project images onto the surface of any object to create special visual effects, such as optical illusions and 3D animations
“pixel”	a unit representing the smallest element of an image, which, if group or arranged together, forms a colour visual image
“3D”	three-dimensional
“3D holographic projection”	a type of image that is projected onto a screen that appears to be 3D
“4K ultra high definition”	a type of digital video format having a resolution of 3840 pixels x 2160 lines

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections “Summary”, “Risk factors”, “Industry overview”, “Business”, “Statement of business objectives and use of proceeds” and “Financial information”, which are, by their nature, subject to risks and uncertainties.

In some cases, we use the words “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “foresee”, “intend”, “may”, “might”, “ought”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operation;
- our capital expenditure plans;
- the amount and nature of, potential for, and future development of our business;
- our operations and business prospects;
- our ability to identify and successfully take advantage of new business development opportunities;
- our planned projects;
- the regulatory environment of our industry in general;
- future development in our industry; and
- other statements in this prospectus that are not historical fact.

Our Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to:

- any changes in the laws, rules and regulations of the Hong Kong, Macau and the PRC central and local governments relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong, Macau and the PRC;
- macroeconomic policies of the Hong Kong, Macau and the PRC government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk factors” in this prospectus.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in the Offer Shares. Our Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in the business and operation of our Group. These risks can be categorised into (i) risks relating to our business operations and our industry; (ii) risks relating to the economic and political conditions in Hong Kong; (iii) risks relating to doing business in the PRC; (iv) risks relating to doing business in Macau; (v) risks relating to the Offer Shares and the Share Offer; and (vi) risks relating to statements in this prospectus.

RISKS RELATING TO OUR BUSINESS OPERATIONS AND OUR INDUSTRY

We rely on our largest customer with which we do not enter into long-term agreement

For the two years ended 31 December 2015, 31 December 2016 and the six months ended 30 June 2017, the revenue contributed by our largest customer amounted to approximately HK\$69.8 million, HK\$53.8 million and HK\$37.2 million respectively, representing approximately 38.8%, 29.2% and 34.7% of our total revenue for the corresponding periods respectively. We do not enter into long-term agreement with our largest customer nor have long-term commitment from it and that we are not its exclusive service provider, there is no assurance that our largest customer will continue to engage us at current levels or at all in the future. There is also no assurance that the business volume and profit margin of our largest customer will remain consistent with historical transaction values. For instance, if the prices of our services are not as competitive as those set by our competitors for comparable services and equipment quality or if the quality of our services and equipment do not meet our customers' expectations or requirements, our customer may reduce its engagement with us, demand lower prices for our services, or may not engage us at all. In any of these circumstances, our results of operations and financial performance may fluctuate from period to period and may be materially and adversely affected.

Our competitiveness and results of operations depend on our ability to keep pace with the technological advancement and we may be unable to adapt to the advance of technology and technology needs of our customers

Events, exhibitions, shows and concerts in the PRC, Hong Kong and Macau have evolved to utilise more advanced video displays and require more technologically sophisticated audio and visual effects such as 3D holographic projection. Our success is largely dependent on our ability to adapt to the rapid changes in related technologies (including the timely introduction of advanced equipment to our equipment portfolio and acquisition of skill and knowledge to operate them) in order to respond to the evolving customers' preference and demand. However, as visual, lighting and audio technologies are rapidly evolving, we may not be always able to keep pace with the technological advancement in our industry and to respond to the evolving customers' preference and

RISK FACTORS

demand in a timely manner. Our ability to provide our visual, lighting and audio solutions to our customers depends on, among others, the availability of our visual, lighting and audio equipment which suits their needs. Our decision of purchasing new visual, lighting and audio equipment is based on a number of factors, including trend and development of visual, lighting and audio technologies and our assessment of the market reception for the visual, lighting and audio effects produced by the equipment based on our industry experience. If we fail to keep pace with changing technologies and to introduce visual, lighting and audio solutions to the satisfaction of our existing customers or potential customers, our competitiveness, business, results of operations and financial performance would be materially and adversely affected.

Our operating results are affected by changes in trends of the marketing and/or entertainment industry and we may be unable to adapt to the changing demands, market preferences and market trends in respect of our customers' respective industries to compete effectively

Marketing and/or entertainment events such as trade shows and exhibitions of products or services, product launches, concerts and TV shows accounted for over 70% of our revenue for each of the financial years during the Track Record Period. Our operating results are affected by changes in trends in the marketing and/or entertainment industry, including changes in market preference for marketing tools and methods (such as events and shows, social media, internet, television or radio broadcast and printed media) to achieve marketing and promotional results and changes in market trends and demand for sophisticated audio and visual effects in the entertainment industry. If the trend in the marketing industry shifted from using events and shows to using other marketing tools and methods to achieve marketing and promotional results, or if the trend in the entertainment industry shifted from using sophisticated audio and visual effects to using other tools and methods to attract audience, a reduction in market demand for our services and equipment could be resulted; and if our major customers respond to this change in marketing trend, they may reallocate their marketing expenditure and investments away from events and shows to other marketing tools and methods, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may be required to assist our customers to implement their marketing ideas in the execution of their marketing shows and events through provision of visual, lighting and audio solutions. In addition, we also provide services to the entertainment industry, such as provision of audio and video equipment and corresponding technical services to implement customers' audio and visual designs and artistic ideas, television broadcasting shows and concerts.

Given the ever-changing nature of technology and customer behaviour change in market trends in the marketing and/or entertainment industry, there is no assurance that we will continue to be able to capture, anticipate or respond timely to, and adapt our services to, our customers' preference and changes in market trends. If we fail to do so, our competitive strength will be reduced and our business, results of operations and financial condition could be materially affected.

RISK FACTORS

Our continued success depends on our ability to retain the services of our key management personnel and our key technicians and any loss of their services may impair our ability to maintain our continued success

Our success has largely been attributable to the contributions, commitment and experience of our key management personnel and key technicians, in particular their familiarity with our business operations and their experience and expertise in the visual, lighting and audio industry. Our executive Directors have more than 25 years of experience in the visual, lighting and audio industry. For further details of their experience, please refer to “Directors, Senior Management and Employees” in this prospectus.

Our continued success is dependent on our ability to retain the services of our key management personnel including our executive Directors and members of our senior management, as well as key technicians who possess the necessary experience and expertise in our industry. If we fail to retain any of our key management personnel and key technicians, we may not be able to recruit experienced or qualified personnel in a timely manner or at all, our ability to maintain business relationship with our existing customers and/or suppliers and/or secure new business opportunities may be negatively affected. We may also need to incur additional cost and resources in the recruitment and training of our new staff. In such event, our competitiveness, business performance, results of operations as well as business prospects may be materially and adversely affected.

We engage third party logistics service providers to deliver equipment to designated venue for visual, lighting and audio services to be rendered by us and their failure to provide timely and high quality logistics services to us may materially and adversely affect our business operations

We may, if necessary, from time to time, engage third party logistics service providers to deliver visual, lighting and audio equipment to the designated venue. Upon delivery, we will be required to timely install the equipment, usually under tight timeframe prior to the event. Timely delivery of such visual, lighting and audio equipment may be affected by a variety of factors that are beyond our control including but not limited to transportation bottlenecks, inclement weather and natural disasters, social unrest, vehicle breakdown, labour strikes or other circumstances beyond our control which may result in delayed or lost deliveries. Our ability to complete installation on time is dependent on the timely delivery of the equipment, if the logistics service providers fail to deliver the equipment to the designated venue on time or if equipment is damaged in the course of delivery, we may not be able to complete our tasks, this could have a negative impact on our brand and reputation, and consequently on our business operations. In addition, any significant increase in the cost of transportation, such as fuel cost, will increase our operating expenses.

RISK FACTORS

Our equipment in Hong Kong and Macau are placed in our warehouses which are vulnerable to any natural disaster or other unforeseeable event which may severely disrupt our business operation

We mainly rely on our equipment for the provision of visual, lighting and audio solutions to our customers in Hong Kong and Macau. Our equipment could be damaged or ruined by flooding, outbreak of fire, electricity outage and/or other unforeseeable events while they are stored in our warehouses in Hong Kong and Macau. They are also exposed to risks of theft, burglary, robbery or human sabotage at our warehouses or event venues. There is no assurance that all risks are adequately insured against under our insurance policies. Even if a certain risk is covered by insurance currently maintained by us, there may be terms in our insurance policies which will render the insured loss irrecoverable under such policies. If the number of our equipment is reduced because of the occurrence of any of the said events and that our suppliers are not able to provide us with replacements promptly, our operation may be severely interrupted. Our business and results of operations may therefore be materially and adversely affected.

We may not be able to successfully implement our strategies, or achieve our business objectives

Our business objectives and strategies as set out in this prospectus are based on our existing plans and intentions. They are based on prevailing circumstances and the development trend of the visual, lighting and audio solutions industry currently known to our Directors. These plans are subject to inherent risks and uncertainties at different development stages. We intend to expand our existing business in accordance with our business objectives. The implementation of our strategies and plans will result in significant capital expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from other business concerns. In addition, we may not be able to capture the stage and backdrop production market as planned. There is no assurance that we will successfully implement our strategies or that our strategies will be able to achieve our business objectives. The execution of our future plans may also be hindered by other broader factors beyond our control, such as general market conditions, the economic and political environment of PRC, Hong Kong and Macau. Failure to manage our expansion plans properly may result in increased operational costs but lower profits than anticipated. Our business, operating results and financial position may be materially and adversely affected if our business objectives are not achieved.

We may not be able to obtain adequate financing for our business in the future

Our business requires working capital for our daily operations. In addition, we require capital investment to purchase new equipment to update our equipment portfolio in response to rapid technological changes and support our business growth. During the Track Record Period, we utilised cash generated from our operations and bank borrowings to maintain our cash flow and finance our capital expenditure. As at 31 December 2015, 31 December 2016 and 30 June 2017, our bank borrowings repayable within one year were approximately HK\$176.2 million, HK\$118.1 million and HK\$96.8 million, respectively. Our ability to raise additional capital will depend on our business performance, market conditions and overall economic environment. We are unable to assure you that we will be able to obtain bank

RISK FACTORS

borrowings and other external financing or resources on commercially acceptable terms or in a timely manner or at all in the future. If we are unable to obtain necessary financing or are requested to repay our bank borrowing on demand or to pledge cash deposit as securities, or if we fail to obtain such financing on favourable terms due to factors beyond our control, we may result in net current liabilities position or we may be forced to trim our expansion plans and our results of operations and financial condition may be materially and adversely affected.

For the two years ended 31 December 2015 and 31 December 2016 and the six months ended 30 June 2017, our finance expenses were HK\$4.5 million, HK\$4.3 million and HK\$2.2 million, respectively. If interest rate follows a rising trend in the future, our finance cost will increase accordingly, which may have an adverse effect on our results of operations and financial condition.

Additional equipment and setting up a studio in Shanghai may result in a significant increase in our depreciation charge

We intend to promote our position further as an industry leader and open a studio in Shanghai for the demonstration of our services with a view to penetrating further in the PRC market. We target to implement such by (i) acquiring new equipment including projectors, LED and control units; and (ii) rent a property and procurement of equipment. Such additional equipment and studio may result in significant increase in depreciation expenses, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our business is highly related to the marketing and entertainment industry which is sensitive to changes in economic, political and social conditions in the PRC, Hong Kong and Macau

Our performance and financial conditions depend on the state of economy in the PRC, Hong Kong, and Macau, to which almost all of our revenue during the Track Record Period was attributable. If there is a downturn in the economy of the PRC, Hong Kong and Macau, our existing and potential customers and their ultimate customers may reduce their discretionary spending, including spending on marketing and entertainment-related shows, events and exhibitions, the overall market demand for services may hence be reduced, and our results of operations and financial position may be significantly and adversely affected.

Any change of the PRC, Hong Kong, and Macau's existing political environment may affect the stability of the economy in the PRC, Hong Kong and Macau thereby affecting our results of operations and financial positions. Any political and social instability in the PRC, Hong Kong and Macau, if significant and prolonged, could also have a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Our business may be adversely affected by the occurrence of acts of God, epidemics and natural disasters

Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect local economies, infrastructure and livelihoods. The PRC, Hong Kong and Macau are under the threat of flood, fire, or epidemics such as Severe Acute Respiratory Syndrome (also known as SARS), Middle East Respiratory Syndrome (also known as MERS), H5N1 avian flu, Ebola, as well as influenza caused by H7N9 and H3N2 or the human swine flu, also known as influenza A (H1N1) virus. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the economies in the PRC, Hong Kong and Macau. A recurrence of SARS or an outbreak of any other epidemics in the PRC, Hong Kong and Macau, such as the H5N1 avian flu, MERS or the human swine flu, may deter public gatherings and reduce the demands for marketing and entertainment-related events, shows and exhibitions, which could interrupt our operations or the services or operations of our suppliers and customers and have a negative effect on our business, financial condition, results of operations and prospects.

We face keen competition in our industry and we may not be successful in competing against our competitors

It is anticipated that more and more competitors in the market may gradually evolve into one-stop service providers to enhance client retention and captivity. Competition in our industry may intensify and may further increase in the future. Increased competition may result in price reductions for our services, reduced margins and loss of our market share. Our existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share.

It is also possible that potential competitors may emerge and acquire a significant market share. If existing or potential competitors develop or offer services that provide quality products and services that meet project specifications, good project management and technical expertise, or other advantages over those offered by us, our business, results of operations and financial conditions would be negatively affected.

Our existing and potential competitors may enjoy competitive advantages over us, such as longer operating history, greater brand recognition, larger customer base, and significantly greater financial, technical and marketing resources. We may not be able to compete successfully. If we fail to compete successfully, we could lose our potential customers. Therefore, there is no assurance that our strategies will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial conditions and results of operations.

RISK FACTORS

Our business operation is subject to the risk of infringement of third party intellectual property rights

As the content of the audio and video to be displayed or played at the events, shows and exhibitions are generally provided by our customers, there is no assurance that our business operations do not or will not inadvertently infringe the copyright or other intellectual property rights of third parties or become a party to such dispute. The exact determination of the scope of copyright or other intellectual property rights can be very complex. In the event of any intellectual property rights disputes between our customers and the owners of the relevant intellectual property rights, we may become a party to such disputes. Intellectual property disputes may last for a significant period of time and require considerable personnel and financial resources. If the outcome of such a legal dispute is adverse to us, we could be ordered to pay substantial license fees, royalties and/or damages. Any infringement of third party copyrights or other intellectual property rights or any lawsuits relating hereto could have a material adverse effect on our results of operations and reputation.

The qualities of our services are dependent on the performance of our visual, lighting and audio equipment, any equipment failure or defect during the provision of our services may materially and adversely affect our business operations

Performance of our visual, lighting and audio equipment (whether self-owned or rented from third party equipment suppliers) may be affected by a variety of factors including but not limited to accidental damage in the course of delivery, inclement weather or other circumstances beyond our control. We also rent certain visual, lighting and audio equipment from third party equipment suppliers when carrying our services in the PRC, Hong Kong and Macau. We select our suppliers based on a number of factors, including but not limited to the quality of their products and/or services, their track record, their reputation in the industry and the duration of our business relationship. Please refer to “Business – Suppliers” for details. Please refer to “Business – Quality Control” for details. However, certain mechanical or technical defects may not be detectable at the time of procurement or rental of equipment, we cannot guarantee that our quality control measures would be effective in avoiding each and every risk of substandard equipment procurement and rental. In the event of being provided with defective products, we may not be able to seek replacement from our suppliers at comparable price, quality and/or quantity in a timely manner.

If such visual, lighting and audio equipment failed to perform at satisfactory levels, and if the tight timeframe of the relevant event or show or concert or exhibition does not allow time for replacements of malfunctioning equipment, if any of these incidents occurred, our reputation could be severely damaged, we may be exposed to claims for damages and our business operation will be negatively affected.

RISK FACTORS

Failure to implement safety measures and procedures on work sites by our staff and/or third party service providers may lead to personal injuries, property damage or fatal accident, which will expose us to potential liabilities and claims

Our operations may be susceptible to accidents as (i) we conduct a wide range of activities associated with the installation and dismantling of our equipment; (ii) our operation may involve working at height, operation of and contact with electrical system and appliances, and the lifting of heavy objects; and (iii) our staff may also be required to work in unfamiliar event, show or exhibition venues, where they may be unaware of the fire escape routes or places of danger. Such accidents may disrupt our service to be rendered and give rise to potential liabilities to our employees or third parties. Any of the foregoing events could have a material adverse effect on our financial condition and results of operations.

We may face penalties for the non-registration of our lease agreements in Shanghai

As of the Latest Practicable Date, we leased and occupied 3 properties in Shanghai for our business operations. All these 3 property lease agreements have not been registered with the relevant municipal land and real estate administration department. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will neither invalidate nor affect the legality of the respective lease agreements. However, the lessors and we as lessees of the 3 properties may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant municipal land and real estate administration department requires us to rectify such non-compliance and we fail to do so within the specified period of time. For details of the non-registration of such lease agreements, please refer to the 1st non-compliance incident disclosed in “Business – Legal and Compliance Matters – Summary of non-compliances” in this prospectus. We cannot assure you that we will neither be imposed any fine in respect of such non-compliance nor be subject to any order to rectify such non-compliance in the future, and if our Controlling Shareholder(s) fail to indemnify us in full, we may incur additional costs to implement the necessary remedial actions and our reputation may be affected.

The relevant PRC government authorities may request us to vacate two of our leased properties in the PRC due to the deviation in uses of such leased properties from their permitted uses, and our relocation to alternative properties may induce additional expenses

As of the Latest Practicable Date, the current uses of two out of the four properties in the PRC leased to our PRC subsidiaries were inconsistent with the permitted uses stated in their property ownership certificates* (房地產權證書). As advised by our PRC Legal Advisers, deviation in use of these two leased properties from their permitted uses will not result in administrative penalties against our Group. Further, in order to release more land resources and enhance the occupancy rate of land and properties in Shanghai, the relevant PRC government authorities are generally more flexible and open to the regulations relating to the permitted use of land and properties. Nonetheless, if the relevant PRC government authorities no longer adopt a similar policy-oriented approach and become less flexible or lenient as they used to be when enforcing such regulations, there remains a potential risk that our Group may be requested to cease using such leased properties and relocate. For

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details of the deviation in use of these two leased properties from their permitted uses, please refer to the 1st non-compliance incident disclosed in “Business – Legal and Compliance Matters – Summary of non-compliances” in this prospectus. We cannot assure you that we will not be subject to any notice or order to vacate these two leased properties and relocate in the future, and if our Controlling Shareholder(s) fail to indemnify us in full, we may incur additional expenses in vacating these two properties and relocating to alternative properties.

We may face penalty for our non-compliances with the Predecessor Companies Ordinance, the Companies Ordinance and the Inland Revenue Ordinance, which may induce additional cost to implement the necessary remedial actions and affect our reputation

AVP had on 3 occasions not fully complied with certain statutory requirements in the Predecessor Companies Ordinance and the Companies Ordinance with respect to the non-filing of notification of resignation of auditors with the Hong Kong Companies Registry and had on 12 occasions not fully complied with the requirement to file notification by an employer of an employee who is about to cease to be employed (also known as Form 56F) under the Inland Revenue Ordinance during the Track Record Period. For details of such non-compliance incidents, please refer to the 4th non-compliance incident and the 5th non-compliance incident disclosed in “Business – Legal and Compliance Matters – Summary of non-compliances” in this prospectus. If the relevant Hong Kong government authority(ies) take(s) action against our Group, including the assessment of fines or other penalties and/or if our Controlling Shareholder(s) fail to indemnify us in full, we may incur additional costs to implement the necessary remedial actions and our reputation may be affected.

We may face penalty for our failure to include statutorily required terms in our employees’ employment contracts and to procure terms contained therein to be consistent with the relevant provisions of the Macau employment laws, which may induce additional cost to implement the necessary remedial actions and affect our reputation

We failed to include certain statutorily required terms in the employment contracts of AVP Macao’s employees and to ensure that the terms contained therein are consistent with the relevant provisions of the Macau employment laws. For details of such non-compliance incidents, please refer to the 6th non-compliance incident disclosed in “Business – Legal and Compliance Matters – Summary of non-compliances” in this prospectus. If the relevant Macau government authority takes action against our Group, including the assessment of fines or other penalties and/or if our Controlling Shareholder(s) fail to indemnify us in full, we may incur additional costs to implement the necessary remedial actions and our reputation may be affected.

RISK FACTORS

Our insurance coverage may not be sufficient to cover all risks involved in our business operations

Our operations are subject to risks typically associated with provision of visual, lighting and audio solutions service (including installation and dismantling activities which may cause serious injury to person or damage to property). Please see “Business – Insurance” in this prospectus for details relating to our insurance coverage.

There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of loss or liability for which we may be held liable. Any event that is not insured and any loss or liability that exceeds the limit or is excluded from the scope of our existing insurance policies may materially and adversely affect our business, results of operations and financial condition.

Any change or deterioration of the performance of our third-party service providers may have an adverse impact on our business operation and reputation

Some of our customers engage us to provide services ancillary to our visual, lighting and audio solutions services at their shows, events or exhibitions, such as stage and backdrop production, provision of video-recording and simultaneous interpretation services. We engage third-party service providers as our suppliers to perform these ancillary services. We are not able to monitor the performance of our third-party service providers and assure if their respective staff are as efficiently as with our own staff. There is no assurance that the services rendered by our third-party service providers will always be satisfactory or meet our customers’ quality and safety standards and timing requirements. If the performance of our third-party service providers is not up to the standard required by our customers, we may need to replace such third party service providers or take other actions to remedy the situation, which could adversely affect the cost and satisfactory delivery of our services, our reputation and our ability to retain existing customers and attract new customers.

RISKS RELATING TO THE ECONOMIC AND POLITICAL CONDITIONS IN HONG KONG

Our operational stability and financial performance may be adversely affected by the state of Hong Kong’s economy and politics

Our business performance and the financial conditions of our operations in Hong Kong depend on the state of economy in Hong Kong. We have business operation in Hong Kong and a relatively substantial part of our total revenue during the Track Record Period was attributable to the Hong Kong market. If there is a downturn in the economy of or political instability in Hong Kong, our operating result in Hong Kong may be materially and adversely affected. In addition, as an international financial centre, the economy of Hong Kong is susceptible to material fluctuations, volatility, disruptions or downturn of the broader global economic and financial environment, particularly to the developments in the PRC. Any regional, national or global economic recession or stagnation may have a material adverse impact on our financial condition.

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Since Hong Kong is one of our Group's principal markets, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our operating result and financial position. Any political and social instability in Hong Kong, if significant and prolonged, could also have a material adverse effect on our business, financial condition, operating results and prospects.

Unfavorable changes in government regulations and policies to our industry

As at the Latest Practicable Date, in addition to what is generally required for carrying on our businesses in the relevant jurisdictions, there are no material requisite licences or permits for the provision of our visual, lighting and audio solutions to our customers. However, the Hong Kong Government may revise its current regulations and policies unfavorably for our operation and business in the future. Any imposition of onerous obligations on us to comply with licensing or permits requirements may increase our costs of operation and in turn adversely affect our profitability. We cannot give any assurances that we will successfully obtain all the necessary licenses and permits to continue our business. It is possible that we may be required to suspend our operation until the relevant licenses are issued or even cease certain aspects of our business if we fail to obtain such licenses for reasons that are beyond our control.

We are exposed to foreign exchange risk

Our functional currency is Hong Kong dollars, while some of our business transactions and our cost of sales are denominated in MOP and Renminbi. We are exposed to foreign exchange risks as a result of payment and receipt that are denominated in a currency other than Hong Kong dollars. Any significant changes in the exchange rate between Hong Kong dollars and other currencies may result in substantial loss for us and our financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks of our customers.

For FY2015, FY2016 and 6M2017, we recorded gross trade receivables of HK\$58.6 million, HK\$53.4 million and HK\$95.8 million, respectively, accounting for 21.0%, 19.5% and 40.5% of our total assets, respectively. If our customers delay in or default on their payments, we may have to make additional provision for impairment, write off the relevant receivables and/or incur substantial legal costs to recover the outstanding balance, which may in turn materially and adversely affect our financial condition, results of operations and business prospects.

We recorded net cash outflow from operating activities for the six months ended 30 June 2017. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected

We recorded net cash outflow from operating activities of HK\$50.7 million for the six months ended 30 June 2017, which was mainly attributable to the cash used in operations of HK\$50.2 million, and income tax paid of HK\$0.5 million. Please refer to "Financial Information – Liquidity, and Capital Structure" in this prospectus for further details. In the event that we are unable to generate sufficient cash flow for our operations or otherwise

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unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We had net current liabilities position as of 31 December 2015 and we may not be able to obtain adequate financing for our business in the future

Our business requires working capital for our daily operations. In addition, we require capital investment to purchase new equipment to update our equipment portfolio in response to rapid technological changes and support our business growth. During the Track Record Period, we utilised cash generated from our operations and bank borrowings to maintain our cash flow and finance our capital expenditure. As at 31 December 2015, we had net current liabilities of approximately HK\$34.3 million. Please refer to “Financial Information – Current Assets and Current Liabilities” in this prospectus.

We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. Our ability to raise additional capital will depend on our business performance, market conditions and overall economic environment. We are unable to assure you that we will be able to obtain bank borrowings and other external financing or resources on commercially acceptable terms or in a timely manner or at all in the future. If we are unable to obtain necessary financing or are requested to repay our bank borrowing on demand, or if we fail to obtain such financing on favourable terms due to factors beyond our control, we may result in net current liabilities position or we may be forced to curtail our expansion plans and our results of operations and financial condition may be materially and adversely affected.

We are exposed to the risk of substantial fair value change on derivative financial instruments

The fair value gains and losses arising from changes in the fair value of the derivative financial instruments constitute our consolidated statements of cash flows. We recorded fair value loss of approximately HK\$2.2 million for the year ended 31 December 2015, and fair value gain of approximately HK\$0.2 million and HK\$0.2 million for the year ended 31 December 2016 and six months ended 30 June 2016 respectively.

Due to the nature of the derivative financial instruments, the fair value gains or losses on the swap and other derivative financial instruments will be beyond our control in the future and our operation results may be affected by the gain or loss from such derivative financial instruments.

For the year ended 31 December 2015, we had outstanding forward foreign currency contracts amounted to approximately HK\$1.1 million. There is no assurance we may successfully mitigate our exposures to foreign currency fluctuations risks through purchases of derivative financial instruments in the future. In the event that we enter into further

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foreign currency contracts, any losses incurred from any outstanding currency contracts may therefore materially and adversely affect our business, financial condition and results of operation.

Our Group failed to comply with certain financial covenants during the Track Record Period

As at 31 December 2015 and 2016, our Group obtained the bank loans of HK\$176,187,000 and HK\$40,417,000 respectively, with repayable on demand clause and classified as current liabilities, were drawn from the Group's banking facilities for which certain covenants requirements were in breach. The failure to comply with the bank borrowing covenants may entitle the lending banks to, among other things, (i) suspend the release of further borrowings; or (ii) declare the loan be due immediately and request the Group to repay all principal amount together with accrued interest and fees. As at the Latest Practicable Date, we had not breached the existing bank borrowing covenants requirements. We cannot assure you that our subsidiaries will not breach any bank borrowing covenants under their respective loan agreements in the future, or that lending banks will not accelerate the repayment obligations or enforce other remedies against us. If we are required to make early repayment, our cash flow position may be adversely affected. Further, if we fail to renew the existing or obtain short-term bank borrowings due to not fulfilling the bank borrowing covenants in the future, our business, results of operations, liquidity and financial position may also be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political, legal and social conditions and government policies of the PRC could have a material adverse effect on our business

For the two years ended 31 December 2015, 31 December 2016 and the six months ended 30 June 2017, the revenue from our subsidiaries in the PRC accounted for 56.1%, 50.9% and 70.1% of the total revenue of our Group respectively. Accordingly, our business, financial condition and results of operations are affected by changes in local governmental policies and political and social conditions in the PRC. The economy of the PRC differs from other countries in many respects such as its structure, government involvement, level of development, growth rate, capital investment, allocation of resources, rate of inflation and balance of payments position. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy and the PRC Government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the PRC. We cannot assure you that the PRC Government will continue to pursue a policy of economic reform. Any changes in the political, economic and social conditions in the PRC or the relevant policies of the PRC Government may materially and adversely affect our business, financial condition and results of operations.

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We are a holding company and our dividend payments rely on, among others, from our subsidiaries in the PRC

We have subsidiaries in Shanghai and Guangzhou. The ability of our subsidiaries there to distribute dividends is regulated by the PRC law. In particular, under the PRC law, each of our PRC operating subsidiaries may only pay dividends after 10% of their net profit has been set aside as statutory reserve funds, unless such statutory reserves have reached at least 50% of its registered capital. The statutory reserves are not available for distribution to us, except in liquidation. Also, the calculation of distributable profits under the PRC accounting standards differs in many aspects from the calculation under the HKFRSs. As a result, our subsidiaries in the PRC may not be able to pay any dividends in a given year to us if it does not have distributable profits as determined under the PRC accounting standards, even if it may have profits for that year as determined under HKFRSs.

Limitations on the ability of our PRC subsidiaries to remit their entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

Dividends payable by us to our foreign investors and any gain on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the Enterprise Income Tax Law and implementation regulations issued by the National People's Congress and State Council, unless otherwise provided in a treaty, the PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises". Our Company is incorporated in Cayman Islands and therefore is likely to be deemed as a "non-resident enterprise". As such, when our subsidiaries in the PRC are capable of paying our Company dividends, we may be liable to pay the PRC income tax which is currently 10%. The relevant law may be changed adversely to us from time to time and our results of operations may be adversely affected.

The PRC government's control of currency conversion may limit our ability to utilise our cash effectively

Our revenues derived from our Shanghai and Guangzhou subsidiaries were mainly received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from the State Administration of Foreign Exchange only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors. However, the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to require the prior approval of the State Administration of Foreign Exchange and are subject to significant foreign exchange controls. Our ability to use our future profits to finance our business activities conducted through our PRC subsidiaries will depend on our ability to obtain these governmental registrations or approvals. Moreover,

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changes in the PRC foreign exchange regulations may materially and adversely affect our ability to transfer funds to, and receive dividends from our PRC subsidiaries. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB.

Moreover, the exchange rates of the Renminbi against foreign currencies are affected by, among other things, changes in the PRC's political and economic conditions. If our subsidiaries in the PRC are able to distribute dividends to our Company, we will convert our Renminbi into Hong Kong dollars. In such case, any appreciation of the Hong Kong dollar against Renminbi would reduce the amount we may receive. This may adversely and materially affect the financial condition and our results of operations.

The PRC legal system contains inherent uncertainties that could negatively impact our business, and the current PRC legal environment could limit the legal protections available to you

As our Shareholder, you hold an indirect interest in our subsidiaries in the PRC. Our operations in the PRC are subject to the PRC regulations governing the PRC companies. These regulations contain provisions that are required to be included in the articles of association of the PRC companies and are intended to regulate the internal affairs of these companies. The PRC company law and regulations, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong and other developed countries or region. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and government commerce, taxation and trade. However, as these laws and regulations are relatively new and they continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and difference degrees of inconsistency. Some of the laws and regulations are still in the development stage and are therefore subject to policy changes. Many laws and regulations, policies and legal requirement have only been recently adopted by the PRC central or local government authorities, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders.

Our insurance coverage is limited and do not cover all business risks in the PRC, and the insurance industry in the PRC is still at an early stage of development

Insurance companies in the PRC offer limited business disruption, business liability, third party liability or similar business insurance products. We have determined that the cost of obtaining insurance coverage for these risks and the difficulties associated with obtaining such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not maintain insurance coverage for any business liability, disruption, litigation or property insurance coverage for our operations in the PRC and

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would have to bear the costs and expenses associated with any such events out of our own resources, which in turn could have an adverse effect on our financial conditions and operating results.

RISK RELATING TO DOING BUSINESS IN MACAU

Conducting business in Macau involves certain economic and political risks

Conducting business in Macau involves certain risks not typically associated with investments in companies with operations outside of Macau, including risks relating to changes in Macau's political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our operations in Macau via our Macau subsidiary are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies.

Any fluctuation in the value of MOP may adversely affect our financial conditions and results of operations

Although the majority of our revenues are denominated in RMB and Hong Kong dollars, certain revenue derived from Macau and our expenses in relation to our Macau operations maybe denominated in MOP. Moreover, a portion of our fixed assets (our equipment) is denominated in MOP. While MOP is linked to the Hong Kong dollars and in many cases the two currencies are used interchangeably in Macau, the exchange linkage of the Hong Kong dollars and MOP is subject to potential changes due to, among other things, policies of the governments in Hong Kong and Macau, as well as international economic and political developments. Any significant fluctuations in the exchange rates between Hong Kong dollars and MOP may have a material adverse effect on our results and financial conditions. For example, to the extent that we are required to convert Hong Kong dollar cash resources into MOP for our operations, fluctuations in the exchange rates between Hong Kong dollars and MOP could have an adverse effect on the amounts we receive from the conversion. Further, as our financial information is presented in Hong Kong dollars, to the extent of our fixed assets are denominated in MOP which required to be converted into Hong Kong dollars for presentation purposes, fluctuations in the exchange rates could have an adverse effect on the amounts presented in our statements of financial position.

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RISKS RELATING TO THE SHARES AND THE SHARE OFFER

There has been no prior public market for our Shares, and an active trading market may not develop after the Share Offer

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Underwriters and us, and may differ from the market prices for the Shares after the Share Offer. We have applied to the Stock Exchange for the listing of, and permission to deal in, among others, the Shares in issue and to be issued pursuant to the Offer Shares. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, will be sustained following the Share Offer or that the market price of our Shares will not decline following the Share Offer. In addition, we cannot assure you that the Share Offer will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- variations in our revenues, profits and cash flow;
- changes in laws and regulations in the PRC, Hong Kong and Macau;
- unexpected business interruptions resulting from natural disasters or other events;
- major changes in our key personnel or senior management;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC, Hong Kong and Macau and worldwide;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, our Controlling Shareholders or other shareholders.

The market price of our Shares could decline

It is possible that our future operating results may be below the expectations of stock market analysts and investors. Any shortfall could cause a decline in the price of our Shares. In addition, the price of our Shares may be adversely affected by other factors, including:

- variations of the results of the operations of our Group;
- investors' perceptions of our Group and the general investment environment;

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- changes in policies and developments related to the industry in which our Group operates;
- changes in pricing policies adopted by our Group or its competitors;
- fluctuations in stock market and trading volume;
- involvements in litigation by our Group;
- recruitment or departure of key personnel of our Group;
- changes in government policies and regulations; and
- general market and economic conditions.

Further, in recent years, stock markets in general and the shares of companies have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares and we cannot assure you that the price of our Shares will not decline.

Our Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the market price of our Offer Shares could be lower than the Offer Price

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be 6 business days after the Price Determination Date. Investors may not be able to sell or otherwise deal in our Offer Shares during that period. As a result, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the Price Determination Date and the time when trading of our Offer Shares begins.

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The sale or availability for sale of substantial amount of our Shares may adversely affect the trading price of our Shares

The sale of substantial amount of our Shares in the public market after completion of the Share Offer, or the perception that such sales may occur, may adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. In addition, while the Shares owned by our Controlling Shareholders are subject to certain lock-up periods, there is no assurance that they will not dispose of these Shares following expiration of the lock-up periods, or any Shares that they may come to own in the future. We cannot predict what effect, if any, such significant future sales will have on the market price of our Shares. Moreover, any disposal of Shares by our major shareholder may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

We cannot guarantee that we will pay dividends

We may be unable to pay dividends on our Shares. We are a holding company with no significant operations or material assets other than the equity interests that we hold in our subsidiaries. We conduct all of our business operations through our subsidiaries. As a result, our ability to pay dividends is dependent on the generation of cash flow by our subsidiaries. Any declaration of dividends will be proposed by our Directors and the amount of any dividends will depend on various factors, including, without limitation, market conditions, our strategic plans and prospects, our business opportunities, our financial condition and results of operations, working capital requirements and anticipated cash needs, contractual restrictions and obligations, payments by subsidiaries of cash dividends to us and legal, tax and regulatory restrictions, and other factors that our Directors deem significant from time to time. For further details of our dividend payments, please refer to “Financial Information – Dividend” in this prospectus.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our public Shareholders’ best interest

Upon completion of the Share Offer, our Controlling Shareholders will own, in aggregate, 75% in issue as enlarged by the issue of the Offer Shares and the Capitalisation Issue. As such, our Controlling Shareholders have and will continue to have the ability to exercise a controlling influence over our business, including matters relating to our management and policies and certain matters requiring the approval of our Shareholders, including election of Directors, approval of significant corporate transactions and the timing and distribution of dividends. They will also have veto power with respect to any Shareholder action or approval requiring a majority vote. They may take actions that you may not agree with or that are not in our public Shareholders’ best interest. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, discouraging bids for the Shares at a premium over the market price, or adversely affecting the market prices of our Shares.

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Termination of the Underwriting Agreements

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to our Company and upon the occurrence of any of the events stated in “Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer

Before the publication of this prospectus, there may be press and media coverage which contains certain information regarding the Share Offer and us that is not set out in this prospectus. We have not authorised the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information.

There are risks associated with forward-looking statements

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “expect”, “believe”, “plan”, “project”, “seek”, “may”, “would”, “intend”, “could”, “anticipate”, “estimate” and “will”. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future business, operations, liquidity and capital resources. Purchasers of our Shares are cautioned that any forward-looking statements are subject to uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of these assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a results of new information, future events or otherwise.

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Certain industry statistics contained in this prospectus are derived from various publicly available government or official sources and may not be accurate or reliable

Certain facts and statistics in this prospectus related to the PRC and Macau, their economy and the industries in which we operate within the PRC and Macau are derived from official government publications generally believed to be reliable. We believe that the sources of these facts and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and Macau and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information regarding our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer and the listing of the Shares on GEM, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees or any other persons or parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in "How to apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

APPLICATION FOR LISTING OF OUR SHARES ON GEM

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the CWUMPO, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). A total of 100,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options granted under the Share Option Scheme).

ABOUT THE SHARE OFFER

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other persons involved in the Share Offer.

The delivery of this prospectus should not, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply the information contained in this prospectus is correct as at the date subsequent to the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer” in this prospectus.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for application for Public Offer Shares is set out in “How to apply for Public Offer Shares” in this prospectus and on the relevant Application Forms.

FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the other Underwriters)

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

and our Company. The Share Offer is managed by the Joint Lead Managers. Further information relating to the Underwriters and the Share Offer and the underwriting arrangements is set out in “Underwriting” in this prospectus.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares are offered to the public for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG REGISTER AND STAMP DUTY

Our principal register of members will be maintained by the principal share registrar in the Cayman Islands. Dealings in the Shares on GEM will be registered on our Hong Kong branch register of members maintained in Hong Kong by Tricor Investor Services Limited.

Only Shares registered on our Hong Kong branch register of members maintained by the Hong Kong Branch Share Registrar in Hong Kong may be traded on GEM. Dealings in our Shares registered on our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealings in our Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealings in our Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on GEM or, under contingent situation, such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for our Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 21 December 2017.

Our Shares will be traded in board lots of 5,000 Shares each. The stock code for our Shares is 8419. We will not issue temporary documents of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB, MOP and USD amounts into HKD at specified rates. You should not construe these translations as representations that the RMB, MOP and USD amounts could actually be, or have been, converted into HKD amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB, MOP and USD amounts into HKD have been made at the rate of RMB0.89 to HK\$1.00, MOP1.03 to HK\$1.00 and USD1.00 to HKD7.80, respectively.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Wong Man Por (黃文波)	Flat B, 21st Floor, Tower 1 37 Repulse Bay Road Hong Kong	Chinese
Wong Hon Po (黃漢波)	Flat G, 10th Floor, Block 2 Chi Fu Fa Yuen, Pok Fu Lam Road Hong Kong	Chinese
Wong Chi Bor (黃志波)	Flat A, 33rd Floor, Block 18 Laguna Grande, Laguna Verde Hung Hom, Kowloon Hong Kong	Chinese
Fu Bun Bun (傅彬彬)	Flat J, 1st Floor, Block 3 Hong Sing Garden Tseung Kwan O New Territories Hong Kong	Chinese
Independent non-executive Directors		
Chow Chun To (鄒振濤)	Flat D, 16th Floor, Tower 11 The Palazzo 28 Lok King Street Fo Tan, New Territories Hong Kong	Chinese
Chen Yeung Tak (陳仰德)	4A, Mayfair Garden 10 Sau Chuk Yuen Road Kowloon Tong, Kowloon Hong Kong	Chinese
Cheung Wai Lun Jacky (張偉倫)	Flat C, 30/F, Block 1 The Coronation 1 Yau Cheung Road Yau Ma Tei Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality
Chan Wing Kee (陳榮基)	Flat B, 1/F., Unique Villa 12 Holly Road Happy Valley Hong Kong	Singaporean

Further information of our Directors are disclosed in “Directors, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Halcyon Capital Limited 11th Floor, 8 Wyndham Street, Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Halcyon Securities Limited 11th Floor, 8 Wyndham Street, Central Hong Kong Great Roc Capital Securities Limited Suite 1601-1603 16/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Central Hong Kong
Co-lead Managers	Grand View Securities Limited Suite 6209 62/F, The Center 99 Queen’s Road Central Hong Kong KGI Capital Asia Limited 41/F, Central Plaza 18 Harbour Road Wanchai Hong Kong
Hong Kong Underwriters	Halcyon Securities Limited 11th Floor, 8 Wyndham Street, Central Hong Kong Great Roc Capital Securities Limited Suite 1601-1603 16/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Grand View Securities Limited
Suite 6209
62/F, The Center
99 Queen's Road
Central
Hong Kong

KGI Capital Asia Limited
41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Cheung and Choy
Rooms 417-418, 4th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

As to PRC law:
Beijing Grandway Law Offices
12th Floor, Block C
Skyworth Building
Nanshan District, Shenzhen
The PRC

As to Cayman Islands law:
Appleby
2206-19 Jardine House
1 Connaught Place,
Central
Hong Kong

As to Macau law:
DSL Lawyers
16th Floor, China Law Building
Av.da Praia Grande 409
Macau

**Legal advisers to the Sole
Sponsor, Joint Bookrunners
and Joint Lead Managers**

As to Hong Kong law:
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to PRC law:

King & Wood Mallesons
55th Floor, Guangzhou International Finance Centre
5 Zhujiang Xilu, Zhujiang New Town
Guangzhou, Guangdong 510623
The PRC

Reporting accountant

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

Independent industry consultant

Euromonitor International Limited
11 Keppel Road
#06-00 ABI Plaza
089057
Singapore

Compliance adviser

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

Receiving bank

Industrial and Commercial Bank
of China (Asia) Limited
33/F., ICBC Tower,
3 Garden Road,
Central
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	6th Floor, Leader Centre, 37 Wong Chuk Hang Road, Aberdeen Hong Kong
Company's website	www.avpromotions.com <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Mr. Wong Wah (<i>HKICPA</i>) Flat D, 17th Floor, Block 3, The Tolo Place Ma On Shan, New Territories Hong Kong
Authorised representatives <i>(for the purpose of the GEM Listing Rules)</i>	Mr. Wong Man Por Flat B, 21st Floor, Tower 1, 37 Repulse Bay Road Hong Kong Mr. Wong Wah Flat D, 17th Floor, Block 3, The Tolo Place Ma On Shan, New Territories Hong Kong
Compliance officer	Mr. Wong Man Por Flat B, 21st Floor, Tower 1, 37 Repulse Bay Road Hong Kong
Audit committee	Mr. Chow Chun To (<i>Chairman</i>) Mr. Chen Yeung Tak Mr. Cheung Wai Lun Jacky
Remuneration committee	Mr. Chan Wing Kee (<i>Chairman</i>) Mr. Chen Yeung Tak Mr. Wong Hon Po
Nomination committee	Mr. Wong Man Por (<i>Chairman</i>) Mr. Chan Wing Kee Mr. Chow Chun To

CORPORATE INFORMATION

Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central Hong Kong
Compliance adviser	Halcyon Capital Limited 11th Floor, 8 Wyndham Street Central Hong Kong

INDUSTRY OVERVIEW

The information in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Euromonitor Report, a market research report prepared by Euromonitor and commissioned by our Group. The information extracted from the Euromonitor Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. We believe that the information is derived from appropriate sources and have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, or any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Share Offer other than Euromonitor with respect to the information contained in the Euromonitor Report. No representation is given as to the accuracy, completeness or fairness of the Euromonitor Report. Our Directors confirm that, after making reasonable enquiries, there has been no material adverse change in the market information since the date of the Euromonitor Report and up to the Latest Practicable Date which may qualify, contradict or have a material impact on the information in this section.

INTRODUCTION

We have commissioned Euromonitor, an independent market research company, to analyse and report on the visual, lighting and audio solutions services industries in the PRC, Hong Kong and Macau for the period from 2012 to 2022 at a fee of US\$84,500.

Euromonitor was established in 1972 and is a world leader in strategy research for both consumer and industrial markets. With its comprehensive international coverage and leading edge innovation, its products become an essential resource of national and global companies in different scales. Euromonitor is a private independent leading provider of global market intelligence with offices around the world and analysts in 80 countries.

1.1 Research methodologies

In compiling and preparing the Euromonitor Report, Euromonitor used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others:

- Secondary research, which involved reviewing published sources including national statistics and official sources such as publications, specialist trade press and associations, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database.
- Primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.

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- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the audio visual solutions market in the PRC, Hong Kong and Macau, and preparation of the final report.

1.2 Research Coverage

i. Research Definitions and Scope

- “Visual, lighting and audio solutions services” or “AV solutions services” is defined to include the following customized services for events, concerts & award ceremonies, exhibitions, road shows, weddings, press conferences, and others:
 1. Equipment rental, e.g. projectors, monitors and digital displays, LED, lighting equipment, audio speakers, and stereo systems
 2. Consultation and design services to help client achieve their desired audio-visual effects, provide (i) professional recommendations to the selection, coordination, and configuration of equipment, and/or (ii) creative design and concept proposals (e.g. graph, backdrop, props, stage and stage effect design)
 3. Production services, e.g. props production, filming & editing, animation, motion graphics, and
 4. Technical services, e.g. set up, installation, testing and commissioning of the recommended equipment, execution of staging and presentation plans, technical support throughout the event

ii. Geographic Coverage

- The PRC
- Hong Kong
- Macau

iii. Period Coverage

- Macro-economic data
 - Historic period 2012-2016
- Industry market size data
 - Historical period 2012-2016 and forecast period 2017-2022
 - Company ranking (by Share of Contract Value Sales), 2016

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1.3 Forecasting Bases and Assumptions

Euromonitor based the Euromonitor Report on the following assumptions:

- The economy is expected to maintain steady growth over the forecast period from 2017 to 2022 across the three markets covered: The PRC, Hong Kong, and Macau;
- The social, economic, and political environments of the PRC, Hong Kong and Macau are expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or visual, lighting and/or audio equipment shortage that affects the demand and supply of visual, lighting and audio solution and their related services in the PRC during the forecast period;
- Key market drivers such as the diversification of focus industries across the three markets, growth of tourism, capital injections into specific business sectors, as well as infrastructural development in event venues are expected to boost the development of the visual, lighting and audio solutions market in the PRC, Hong Kong and Macau; and
- Key drivers including growing client demand for innovative, interactive and creative means of engaging consumers, as well as the development of complementary industry such as the performance arts are likely to drive the future interest in and growth of visual, lighting and audio solutions and production across the PRC, Hong Kong and Macau.

The research results may be affected by the accuracy of these assumptions and the choice of these parameters.

2. Overview of the Visual, Lighting and Audio Solution Industry in the PRC, Hong Kong and Macau

Industry Value Chain of the Visual, Lighting and Audio Solutions Industry

Upstream players in the AV solutions services industry are AV equipment manufacturers and AV equipment leasing providers, who are mainly involved in the production and leasing of visual, lighting and audio equipment. Downstream players in the AV solutions services industry are clients who have event hosting and organising requirements. These end clients are mainly based in the automobile, consumer electronics and entertainment industries, among others.

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Overview of Government Legislations and Regulations

At present, the audio visual solutions and equipment rental companies in the PRC, Hong Kong and Macau are not regulated by specific rules, frameworks, or associations that may impact the industry and how it functions. Licensing and registration may apply to various types of events depending on the nature and scale of the planned event, and are typically the onus of the event organisers.

Major Cost Centers

For companies that own most of their primary AV equipment, the top three cost concerns stem from manpower costs, equipment depreciation and warehouse rental expenses. For companies that mostly rent their equipment from competitors and upstream AV equipment manufacturers, equipment rental expenses, manpower costs and transportation costs are the top three major costs.

Major Developments and Trends

In addition to warehouses, large visual, lighting and audio solutions firms typically own or are moving towards the ownership of studios that may be used for recording or for pitching and demonstration purposes. Due to specialisation, smaller players typically do not utilise studio spaces when pitching to clients, they instead rely on past portfolios of work and computer simulations to demonstrate their capabilities.

Across the PRC, Hong Kong, and Macau, leading or specialist firms also supplement equipment inventory with new advanced equipment in line with constantly shifting compatibility and software requirements due to the need to cater for clients' demand.

3. Visual, Lighting and Audio Solutions industry in the PRC

Typically, there are three types of AV solutions service providers in China's market. Firstly, subsidiaries or offices of foreign AV solutions service companies with offices in China. Secondly, local high-end AV solutions service providers which mainly focus on the medium to high end contracts over RMB 0.5 million in value. Thirdly, low-end AV solutions service providers that focus primarily on low-value events, such as weddings and banquets. The low-end AV solutions service landscape is highly fragmented.

Key costs for companies

Table 1 Consumer Price Indices of Selected Equipment for Rental (2012-2016)

<i>RMB /Day</i>	2012	2013	2014	2015	2016
LED screen per square meter	575.1	507.3	459.6	426.5	408.0
Speaker per unit	488.3	485.8	484.4	483.9	482.0
Light per unit	288.5	286.8	285.7	285.1	284.0

Source: Euromonitor estimates from trade interview and desk research

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Equipment rental costs marginally outweigh the combined costs relating to equipment depreciation and warehouse rental expenses. As major AV solutions service companies are mostly located in first tier cities, the rapid rise of warehouse rental costs in these cities in recent years has also incentivised more companies to consider renting rather than purchasing their equipment. LED screens, lighting and speaker systems are the most common equipment required by AV solution service providers. Despite technological advancements, demand for older models may still continue given the technical limitations that may exist at specific venues, or due to differences in cost to the end consumer. Different types of equipment have various depreciation rates that are dependent on the speed of deterioration and the speed of product upgrading.

Typically, AV solution service providers will commission third-party logistics companies to handle transportation of the AV equipment since many events cover different regions of China and it is not cost effective for such companies to own and maintain a fleet of vehicles. Fuel and manpower costs form the two critical factors contributing to the highway transportation costs.

It is common for AV solution service companies to hire temporary workers given that much of their revenue is unstable, ameliorated by the labour shortage over the review period. The lack of a substantial pool of experienced, skilled labour forces many AV solution service companies to turn to hiring temporary workers in order to meet project or contract execution demands. Labour costs have risen mainly due to manpower shortages and the situation is expected to worsen in the forecast period due to the shrinking working-age population in China.

Historical Market Performance of Visual, Lighting and Audio Solutions Providers in the PRC

Table 2 Contract Value Sales of the Visual, Lighting and Audio Solutions Industry (2012-2016)

<i>RMB million</i>	2012	2013	2014	2015	2016	CAGR12-16
Visual, Lighting and Audio Solutions Contract Value	4,154.6	4,615.8	5,068.1	5,524.3	5,966.2	9.5%

* All figures quoted above have been rounded to the nearest 1 decimal place.

Source: Euromonitor estimates from trade interview and desk research

Overall contract values in the high-end AV solutions industry increased by a CAGR of 9.5% from 2012 through 2016, to reach RMB5,966.2 million. Companies mainly focused on contracts with a valuation of at least RMB 0.5 million across four categories: exhibitions, conferences, performances and others. Growth in total contract value is mainly attributable to the increasing number of exhibitions, press conferences and business shows, especially for automobile manufacturers. With the slowdown of China's economy, the industry anticipates more modest growth rates in the near future.

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Key driver of the Visual, Lighting and Audio Solution industry in the PRC

New technology upgrades the service level for AV solutions

Upstream multimedia technologies are rapidly developing and evolving in the current environment, incorporated advances such as liner sound source, High Definition video display, digital transmission systems and intelligent control systems. Application of these technologies raises the service level offered to clients, and also overrides past technical constraints and made it easier to execute more complicated stage design requirements

Increasing demand from exhibition industry lead to increasing AV contract values

In recent years, the number of exhibitions larger than 5,000 square meters has increased at a compound rate of 8.0% from 2011 to reach 9,283 exhibitions in 2015. In addition, the total economic value for the exhibition industry has increased by a compound growth rate of 12.3% over the same period to reach RMB 480.3 billion in 2015. These have helped to stimulate demand for AV solutions contracts in the market.

China is gaining market share in the international conference market

Backed by strengthening economic growth, China is becoming an increasingly popular destination for international conferences, having hosted 410 international conferences in 2016, making it the second most popular destination to host such conferences within the Asia-Pacific region. Such international conferences are an important source of revenue for AV solutions suppliers, who have benefited significantly from this growth.

Constraint of the Visual, Lighting and Audio Solution industry in the PRC

A lack of education or training options related to the AV solutions industry in China, as well as limited technical experience in the field which hinders staff training and development, are the key factors holding back the development of talents in the industry, leading to an outflow of such talent to other industries or markets. For long-term growth of the industry to be sustained, it is necessary for these constraints to be addressed appropriately to ensure talent development and retention.

Future prospects and trends of Visual, Lighting and Audio Solutions Providers in the PRC

Table 3 Estimated Visual, Lighting and Audio Solutions Contract Value Sales, Forecast (2017-2022)

<i>RMB million</i>	2017	2018	2019	2020	2021	2022	CAGR17-22
Visual, Lighting and Audio Solutions Contract Value	6,431.6	6,913.9	7,411.7	7,938.0	8,493.6	9,071.2	7.1%

* All figures quoted above have been rounded to the nearest 1 decimal place.

Source: Euromonitor estimates from trade interviews and desk research

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The high-end visual, lighting and audio solutions providers' contract value sales are expected to increase from RMB6,431.6 million to RMB9,071.2 million over the forecast period. The growth in contract revenues is anticipated to come from increased interest in the exhibitions, press conferences and business-related promotional campaigns and shows in the Chinese market, and emerging electronic sports event. However, the growth is expected to be slower as compared to the historical years.

Most companies in the market are now evolving into one-stop service providers to enhance client retention and captivity. The industry is likely to shift away from sales of isolated, standalone AV solutions-related services. As companies develop market expertise and build a stronger portfolio, they are more likely to build long-term relationships with the end-clients to capture recurring business and contracts.

Market Entry Barriers

A strong brand reputation takes years to build

For the high-end visual, lighting and audio solutions and services market, key client accounts are typically more demanding, preferring AV solutions firms with a strong portfolio and track record with which they can work with on a continuous basis. However, building a successful and strong brand reputation and track record in the industry requires significant investment and time, posing a significant entry barrier to new entrants.

Talents prefer to work with leading AV solutions providers

Skilled and talented employees are crucial to the success of AV solutions companies, and it takes years of training and experience for AV solutions companies to develop their own talents. Direct hiring of experienced talent is difficult, as the industry's top talent typically prefer to join leading players in the market, making it difficult for newer entrants to attract and hire talents.

Opportunities and threat

The One Belt and One Road Initiatives were unveiled by President Xi Jinping in 2013 will be a boost to the PRC AV Industry. The One Belt and One Road Initiatives had spurred a series of events such as the China ASEAN Expo, the Euro-Asia Economic Forum, and the China-Arab Expo in China. More governmental and non-governmental organized events are expecting to be held around the topic of One Belt and One Road, which will create strong impetus for future development of AV solutions industry.

The possible new entrants from both domestic and foreign market could threaten the existing AV solution providers. With the rapid development of AV technology and growing consumer demand for higher requirement for visual, lighting and audio experience, for example, more interaction, higher resolution and more realistic, AV solution providers have to continuously expand the service scope in order to survive the changing market.

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Furthermore, with the Renminbi expected to depreciate against the US dollar against the backdrop of slowing economic growth in China, further exchange rate fluctuations may pose a risk for the audio visual solutions industry where equipment procurement and talent sourcing may be done against currency rates that the Renminbi is relatively weaker to. Continued weakening of the renminbi may also soften demand for AV services and solutions from industries where clients may be significantly affected by market uncertainties. Nevertheless, it is expected that this risk may be partially mitigated by potential net changes in revenues received.

Competitive Environment

The high-end AV solutions industry is a relatively fragmented market in the PRC. The top nine leading player captures a share of 18.3% of the total market, with many other players making up the remainder of the visual, lighting and audio solutions market. As leading players have advantages in terms of financial, technological and human capital, leading players typically grow faster than the rest of their competitors as a whole. As such, the market concentration is expected to increase in the forecast period.

4. Visual, Lighting and Audio Solutions in Hong Kong

Visual, lighting and audio solutions providers in Hong Kong typically develop a specific sector or AV business niche. For example, some providers have established industry expertise in concert-related productions, whereas other competing players have established industry expertise in catering to exhibitions.

Contract sizes for mid-sized events may start at approximately HK\$80,000, and is expected to remain similar over the next five years, while larger contracts start from HK\$200,000 and upwards. Such contracts may include a range of service such as the provision of audio equipment and stage set-up. For larger AV solution providers, contracts may include additional, complementary visual, lighting, and audio-related services such as consulting, audio visual styling and design, actual day operations, and broadcasting services.

Key costs for companies

Table 4 Average Pricing of Select Equipment (2012-2016)

HK\$	2012	2013	2014	2015	2016
Microphones per Unit	4,839	4,790	4,752	4,742	4,735
Speakers per Unit	20,061	19,857	19,699	19,660	19,631
Mixers per Unit	19,058	18,864	18,714	18,677	18,649

Source: Euromonitor estimates from trade interview and desk research

Audio visual solutions providers and equipment suppliers in the Hong Kong market typically own a range of hardware assets, and rely on equipment rental only where there is a demand for a product not already within their catalogue of equipment.

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Equipment costs, the cost of hiring skilled labour, transportation and storage of equipment contribute significantly to operational costs for audio visual solutions providers in the Hong Kong market.

The maintenance, storage and transportation of audio visual equipment, however, has exerted an upwards pressure on the operational costs for audio visual solutions providers in the Hong Kong market. As players in the Hong Kong market typically invest in the direct ownership of a range of equipment, the onus remains firmly on these players to ensure the care and maintenance required of the equipment. Rising prices for building rental and logistics services have added to the operational costs of audio visual solutions and service providers in Hong Kong. As diesel prices have been rising in Hong Kong, the costs of transporting equipment to a venue have risen in tandem, adding to the operational costs of such audio visual solutions and service providers.

Given expected wear and tear on hardware and the rate at which the typical product life cycle moves, key equipment and software used by the audio visual solutions and rental provision firms are typically replaced every 6 to 8 years on average.

The demand for suitable labour due to economic expansion, coupled with stagnating population growth, has created an upward pressure on labour costs in Hong Kong. The increase of the Statutory Minimum Wage rate to HK\$34.50 per hour in May 2017 has also increased wage pressure.

Historical market performance of the Visual, Lighting and Audio solutions providers in Hong Kong

Variety of business models in Hong Kong's AV solutions market

Table 5 Contract Value Sales of the Visual, Lighting and Audio Solutions Industry (2012-2016)

<i>HK\$ million</i>	2012	2013	2014	2015	2016	CAGR
Visual, Lighting and Audio Solutions	734.3	764.9	797.6	832.5	868.3	4.3%

* All figures quoted above have been rounded to the nearest 1 decimal place.

Source: Euromonitor estimates from trade interview and desk research

Overall contract values in the AV solutions market increased by a CAGR of 4.3% from 2012 through 2016, to reach HK\$868.3 million. Hong Kong continues to be an attractive market for visual, lighting, and audio solutions industry, with an increased number of events held over the historical period.

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Key drivers of the Visual, Lighting and Audio Solutions industry in Hong Kong

The Hong Kong government has been making huge efforts to enhancing the appeal of Hong Kong as a premier MICE (Meetings, Incentive travels, Conventions and Exhibitions) destination, which will in turn create business opportunities for the audio and visual solutions industry. Under the Hong Kong Tourism Board (HKTB), the Meetings and Exhibitions Hong Kong (MEHK) office was set up in November 2008 to support MICE organisers and the execution of events. The MEHK office has been integral in driving MICE arrivals. HKTB will continue to pursue various strategies, such as continuing to provide MICE organisers and visitors with support; supporting its trade partners to bid for large-scale conventions; and attracting small- and medium-sized meetings and incentive travel tours to Hong Kong.

Improving the arts scene will also help the visual, lighting and audio solutions industry. The government is investing HK\$24 billion to develop the West Kowloon Cultural District, which is designated to be an arts, cultural and entertainment district housing multiple performing arts venues and museums. The government is also committed to promoting large scale events such as the Hong Kong Arts Festival, as evidenced by its provision of funding to these events.

Constraint of the Visual, Lighting and Audio Solution industry in Hong Kong

The lack of exhibition and convention venues has been a long-standing issue in Hong Kong. This capacity constraint poses challenges such as lost opportunities, especially during peak seasons, from having to turn down applications for exhibitions. Nonetheless, the Hong Kong government is actively tackling this by exploring a variety of measures, including exploring the feasibility of redeveloping the Wan Chai Sports Ground into a site for exhibitions and conventions.

Future prospect and trends of the Visual, lighting and audio solutions providers in Hong Kong

Table 6 Estimated Visual, Lighting and Audio Solutions Contract Value Sales, Forecast (2017-2022)

<i>HK\$ million</i>	2017	2018	2019	2020	2021	2022	CAGR
Visual, Lighting and Audio Solutions Contract Value Sales	909.1	952.8	998.5	1,047.4	1,098.8	1,152.6	4.9%

Source: Euromonitor estimates from trade interview and desk research

* All figures quoted above have been rounded to the nearest 1 decimal place.

The Hong Kong visual, lighting and audio solutions industry is expected to continue to grow at a steady pace between 2016 and 2020, with an increasing number of events expected to be held in the market over the forecast period. With Hong Kong being a highly popular venue for major arts and music events, industry players expect

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the number of mid to large sized events held in Hong Kong to grow in future, as Hong Kong continues to develop as a major arts and entertainment hub, drawing interest from international artists touring the region.

The visual, lighting and audio solutions industry is expected to experience positive growth over the forecast period, growing 4.9% between 2017 and 2022. A confluence of several key factors is likely to benefit the industry over the medium to long term, including a positive increase seen in the availability of larger event venues, the promotion of large-scale events within the conferences and exhibitions space, as well as within the media and performing arts space. Growing corporate demand AV solutions for creative campaigns and promotional installations is likely to also spur growth.

Increasingly, audio visual solutions providers in Hong Kong are expected to provide all-in-one service packages for clientele, which typically includes a range of comprehensive solutions. From the conceptualisation of an event's audio and visual design, to staging and execution, visual, lighting and audio solutions providers in Hong Kong are increasingly moving towards this model.

Market Entry Barrier

Higher operational costs associated with equipment investment, maintenance and depreciation act as deterrents to an industry already associated with other high costs of operation. The need for specific skilled, technical expertise and labour, as well as the rising costs of the transportation of key equipment for events and high rental rates for physical space to store such technical equipment, create market barriers for new entrants.

Opportunities

Regional demand for visual, lighting and audio solutions remains strong, with several Hong Kong-based firms opting to service regional countries and markets. Associations of higher quality service and high levels of professionalism aid Hong Kong-based visual, lighting and audio solutions firms in establishing a strong brand reputation. The strength of the brand name in Hong Kong allows these visual, lighting and audio solutions firms to develop stronger footholds in surrounding regional markets of interest.

Threat

Increasingly price-sensitive end client

Due to a pessimistic economic outlook, the typical end client is increasingly more price-sensitive. Given that the market is fragmented beyond the top players, the end clients may look beyond existing client relationships on retainer, and explore engaging smaller-sized firms on smaller event scales in order to best manage costs during an

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economic downturn. Demand for specific types of higher-end or higher quality equipment, as well as the scale of services required for a particular event, may be dampened by the environment of economic uncertainty in Hong Kong.

Increasing number of foreign-owned firms expanding presence in the market

The Hong Kong visual, lighting and audio solutions market has seen an influx of firms entering the market that typically have established global operations. These firms tend to be headquartered outside Hong Kong, and generally choose to enter the Hong Kong market in order to develop relations with and access to the Chinese and Macau markets.

Few barriers to entry lead to a more fragmented market

As there are few barriers to entry for the visual, lighting and audio solutions market in Hong Kong, several visual, lighting and audio solutions and equipment rental firms flood the market for small to medium sized contracts. Due to the high number of players in the industry, competition for smaller contracts is intense given the number of substitutes available in the market, creating a downwards pressure on contract pricing for smaller players.

Exchange rate weakening may lead to softer sector

While the Hong Kong dollar is pegged to the US dollar, the softening economic outlook in China is likely to impact Hong Kong firms that have considerable exposure to the mainland market. This is particularly pronounced for Hong Kong-based firms that have significant operations in China and that also report in Hong Kong dollars. For such players, the softening yuan would have impacted revenues reported due to losses from the unfavourable exchange rate.

Competitive Environment

Table 7 Market Ranking and Shares of Visual, Lighting and Audio Solutions Providers for 2016

(in Terms of Contract Value Sales, HK\$)

Ranking		Market Share	Listing Status
1st	Company A	21.4%	Private
2nd	Company B	14.6%	Private
3rd	Company C	9.0%	Private
4th	Our Group	8.4%	Private
5th	Company E	7.9%	Private

Source: Euromonitor estimates from trade interview and desk research

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** The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

The top three players in the Hong Kong market captured approximately 45.0% of the domestic visual, lighting and audio solutions market in terms of contract value sales in 2016. Significant barriers to entry exist for medium to large-sized contracts, as larger firms tend to retain their clients for recurring events like exhibitions and conferences. Furthermore, organisers of large events tend to approach the players who have the resources and good track records in working on such large-scaled events. These tend to be the leading players in the market, thereby enabling them to retain their stronghold in this tier of the market. Without matching levels of resources, it is therefore difficult for smaller firms to break into the mid-to-large events space and to grow their market share.

5. Visual, Lighting and Audio Solutions industry in Macau

Macau has begun to diversify and invest in other sectors, including non-gaming tourism, in order to stimulate economic recovery. Through the development of leisure, retail and entertainment options in Macau, the Macanese government hopes to stimulate economic recovery. Macau's Meetings, Incentives, Conferences, and Events (MICE) tourism industry expanded significantly over the review period, with the number of such events held in Macau growing at a CAGR of 5.9% to reach 1,276 events in 2016.

The number of public performances and event sessions in Macau also expanded at a significant rate, growing at a CAGR of 3.4% between 2012 and 2015. Concerts held in Macau enjoyed buoyant growth, more than tripling from 498 in 2012, to 1,570 concert sessions by 2015. Macau Government Tourism Office initiatives aimed at promoting Macau as an entertainment hub helped drive growth of these sessions.

The business model of AV solutions companies in Macau typically mirror that of Hong Kong's, with a significant number of players employing owning the equipment and hardware assets. However, contract sizes in Macau are higher vis-à-vis Hong Kong for events of similar scale as the required equipment typically have to be transported to Macau from Hong Kong, thereby raising prices further.

Key costs for companies

Table 8 Average Pricing of Selected Equipment (2012-2016)

		2012	2013	2014	2015	2016
Microphones per Unit	MOP	6,329	6,402	6,477	6,552	6,628
Speakers per Unit	MOP	26,997	27,311	27,629	27,950	28,275
Mixers per Unit	MOP	24,573	24,859	25,148	25,441	25,737

Source: Euromonitor estimates from trade interview and desk research

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Prices for equipment supplies in Macau are typically higher when compared to Hong Kong and China, due to the relatively smaller pool of equipment suppliers and the relatively higher procurement costs. However, equipment costs have remained relatively stable over time, with no sharp increases observed unless the equipment involves new technologies. Estimates by Euromonitor reveal that equipment prices grew by a CAGR of merely 1.2% over the period 2012 to 2016.

The cost of investing in new equipment is expensive. Typically, new models of equipment are introduced into the market every quarter or on an annual basis, depending on the type of equipment and software. Wear and tear from use, as well as changes in client demands and requirements for specific types or models of equipment mean that certain firms look to replace their equipment inventory every 6 to 8 years.

Labour costs further increase the operation costs of firms. Due to a tight labour market and high demand for skilled human resources in Macau, the costs of hiring employees with relevant technical expertise and operational experience has risen significantly over the review period.

Historical Market Performance of Visual, Lighting and Audio Solutions Providers in Macau

Table 9 Contract Value Sales of the Visual, Lighting and Audio Solutions Industry (2012-2016)

<i>MOP million</i>	2012	2013	2014	2015	2016	CAGR
Visual, Lighting and Audio Solutions	236.8	246.1	256.1	264.8	276.0	3.9%

* All figures quoted above have been rounded to the nearest 1 decimal place.

Source: Euromonitor estimates from trade interview and desk research

The overall visual, lighting and audio solutions market in Macau grew 3.9% between the review period of 2012 and 2016. Growth levels dampened slightly in 2015 due to weakened market sentiments and the contraction in GDP. The growth of the industry recovered slightly in 2016 due to the improving economic situation.

Key Drivers of the visual, lighting and audio solution industry in Macau

Renewed government focus on driving MICE and mass market tourism

The Macau government is actively working to reduce the Macanese economy's heavy reliance on the casino industry in a bid to develop more sustainable, long-term avenues of economic growth. As part of this initiative, the Macau Government Tourism Office has taken on a key role in the promotion and development of tourism activities.

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Increasing Accessibility of Macau to the Rest of China

Recent policy changes and infrastructural developments bode well for Macau's tourism industry and indirectly, the visual, lighting and audio solutions industry. The ongoing construction of the Hong Kong-Zhuhai-Macau Bridge will also boost the Macau Government Tourism Office's efforts to position Macau as an entertainment and tourism hub. The completion of the bridge is expected to provide more transport options to Macau and also spur regional tourism among the three areas. This could potentially expand corporate demand for events, installations and campaigns targeting the influx of tourists, sparking growth in related industries.

Constraint of the Visual, Lighting and Audio Solution industry in Macau

AV solutions providers in the market are likely to continue being reliant on the growth of Macau's tourism sector, as well as trade events and conferences in Macau. With these industries accounting for such a significant proportion of the country's receipts, a less than positive outlook on Macau's tourism sector is likely to have contractionary trickle down effects on the visual, lighting and audio solutions industry in Macau.

Furthermore, event venues like the Cotai Arena and Expo in Macau are largely positioned to serve the growing MICE and related conference and exhibitions industries. The number of venues that would be suitable for other types of events is limited, which often restricts event organisers to resort or casino locations to plan for events such as concerts and art performances.

Future prospects and trends of Visual, Lighting and Audio Solutions Providers in Macau

Table 10 Estimated Visual, Lighting and Audio Solutions Contract Value Sales, Forecast (2017-2022)

<i>MOP mn</i>	2017	2018	2019	2020	2021	2022	CAGR
Visual, Lighting and Audio Solutions Contract Value Sales	287.0	299.3	312.8	330.6	352.4	375.3	5.5%

* All figures quoted above have been rounded to the nearest 1 decimal place.

Source: Euromonitor estimates from trade interview and desk research

The Macau AV solutions market expected to grow faster over the forecast period, in part driven by governmental support in expanding the MICE industry and future developments of event venues, hotels and resorts to accommodate more large-scale events.

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Market Entry Barriers

The barriers to entry for the visual, lighting and audio solutions industry in Macau remain relatively low for smaller companies catering to small-to-medium sized events. Establishing a strong brand name and presence in the market, however, continues to pose a challenge for new entrants and smaller existing players in the Macau market. The mid-sized and large scale events segments of the market are typically dominated by larger players with strong operational networks across the PRC, Hong Kong and Macau.

Opportunities

With government efforts to develop the non-gaming sectors, the development of Macau as an entertainment hub in the region presents growth opportunities for visual, lighting and audio solutions firms. The industry is likely to see a corresponding rise in demand for audio and visual consulting and technical expertise to accommodate increasingly sophisticated event requirements.

Threat

Increasing number of foreign-owned firms expanding presence in the market

The Macau visual, lighting and audio solutions market has seen an influx of firms entering the market that compete within the creative consulting and technical audio visual solutions space. The entry of Dorier Macau through the acquisition of Perfectus, points to a growing trend in firms extending their presence into the Macau market from overseas headquarters through the establishment of a direct office, or via mergers and acquisitions. These foreign firms have typically built a portfolio of projects planned and executed overseas with relevant sector-specific expertise developed in key areas like creative consulting and technical solutions, and often become direct competitors to existing players in the Macau visual, lighting and audio solutions industry.

External monetary policy changes may influence attractiveness of location

As the Macanese pataca is indirectly pegged to the US dollar through its exchange rate against the Hong Kong dollar, changes to monetary policy in the US and in the PRC are likely to influence the relative affordability of audio visual solutions and other related services within Macau.

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Competitive Environment

Table 11 Market Ranking and Shares of Visual, Lighting and Audio Solutions Providers for 2016

(in Terms of Contract Value Sales, MOP)

Ranking		Market Shares	Listing Status
1st	Company A	19.3%	Private
2nd	Company B	12.8%	Private
3rd	Company C	12.6%	Private
4th	Company D	5.3%	Private
5th	Our Group	4.4%	Private

Source Euromonitor estimates from trade interview and desk research

** The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

The audio visual solutions providers market is relatively consolidated for mid-to-large sized events, with the top five players capturing over 54.4% of the entire visual, lighting and audio solutions market in Macau. The market is not expected to shift significantly over the forecast period in terms of market share movements, with a number of established, experienced operators from Hong Kong dominating in market share terms. Although the market is relatively consolidated, leading firms are pushed to remain competitive in terms of their prices and service offerings, in order to retain clients. As barriers to entering the high-value audio visual solutions market are high, the top players are not expected to change significantly over the forecast period.

6. Our competitive advantages

According to the Euromonitor Report, our competitive advantages include the following (1) the creative element is a strong competitive advantage for our Group across China, Hong Kong and Macau, with our Group developing a reputation for visual work. Our group offers creative event planning in visual, lighting and audio solutions, working with clients to plan, design, support and complete various projects, events, and campaigns; (2) our Group has developed a credible brand name and portfolio in the market; and (3) we are positioned as a 'one-stop shop', offering a suite of all-in-one, hybrid solutions for clients with various creative and technical requirements.

REGULATORY OVERVIEW

This section summarises the most material aspects of the laws and regulations which are relevant to our business operations in the PRC, Hong Kong and Macau. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

APPLICABLE PRC LAWS AND REGULATIONS

The following sets forth a summary of the most significant laws and regulations that affect our business in the PRC.

LAWS AND REGULATIONS ON ESTABLISHMENT

The major laws and regulations in the PRC concerning establishment of foreign investment corporate entities include: Company Law (The PRC), Sino-Foreign Equity Joint Venture Enterprise Law, Implementation Rules of Foreign Investment Enterprise Law, Foreign Investment Enterprise Law, Sino-Foreign Cooperative Enterprise Law and Guidance Catalog of Industries for Foreign Investment.

Company Law (The PRC) was promulgated by the Standing Committee of the National People's Congress on 29 December 1993 and came into effect on 1 July 1994. It was subsequently revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The Company Law generally governs limited liability companies and joint stock limited companies. In accordance with this law, liability of a company to its debtors is limited to the value of assets owned by the company, and liability of shareholders is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign-invested enterprises. Where laws and regulations on foreign investment have other provisions, such provisions shall apply.

The Foreign Investment Enterprise Law was promulgated by the National People's Congress on 12 April 1986 and revised on 31 October 2000 and 3 September 2016. This law contains specific provisions regarding to incorporation, article of association, labor, financial and account, foreign exchange administration and other relevant matters of foreign investment enterprises.

Implementation Rules of Foreign Investment Enterprise Law was approved by the State Council on 28 October 1990 and promulgated by the Ministry of Foreign Trade and Economic Cooperation on 12 December 1990. It was revised on 12 April 2001 and 19 February 2014 subsequently. This rule has specific provisions on procedures of incorporation, form of incorporation, registered capital, form of contribution, period of contribution, taxation and foreign exchange administration of foreign investment enterprises.

Sino-Foreign Equity Joint Venture Enterprise Law was promulgated by the Standing Committee of the National People's Congress on 8 July 1979 and revised on 4 April 1990, 15 March 2001 and 3 September 2016. This law contains specific

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provisions concerning incorporation, investment and cooperation, organization structure, foreign exchange administration, labor matters and other relevant matters of Sino-Foreign Equity Joint Venture Enterprises.

Sino-Foreign Cooperative Enterprise Law was promulgated by the Standing Committee of the National People's Congress on 13 April 1988 and revised on 31 October 2000, 3 September 2016 and 7 November 2016. This law contains specific provisions regarding to incorporation, organization structure, management, foreign exchange administration, labor matters and other relevant matters of sino-foreign cooperative enterprise.

Guidance Catalog was jointly issued by the Ministry of Commerce and the National Development and Reform Commission in 1995, and revised in 1997, 2002, 2004, 2007, 2011 and 2015. The Guidance Catalog contains specific provisions guiding foreign capital access to market, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Guidance Catalog is a permitted industry. The business engaged by our group does not fall into the "restricted" or "prohibited" categories.

LAWS AND REGULATIONS ON OPERATION

Foreign Exchange Control

Regulations on Foreign Exchange Control was promulgated by the State Council on 29 January 1996 and came into effect on 1 April 1996. It was subsequently revised on 14 January 1997 and 1 August 2008. According to this regulation, foreign currency payments under basic account items by domestic institutions, including payments for imports and exports of goods and services and payments of income and current transfers into and outside the PRC must be either paid with their own foreign currency with valid documentation or with the foreign currency purchased from any financial institution engaged in foreign currency sale and settlement, in accordance with the administrative provisions on payment and purchase of foreign currency promulgated by the SAFE. Foreign currency income accounted for under basic account items may be retained or sold to financial institutions engaged in foreign currency sale and settlement in accordance with the relevant PRC laws and regulations. Foreign currency payments under capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans, and must, in accordance with the SAFE regulations relating to foreign payments and purchases, be made out of a domestic institution's own foreign currency with valid documentation or be made with foreign currency purchased from any financial institution engaged in foreign currency sale and settlement. For foreign-invested enterprises wound up in accordance with the law, funds denominated in RMB that belong to a foreign investor after liquidation and after payment of tax may be used to purchase foreign currency from any financial institution engaged in foreign exchange sale and settlement in order to remit the foreign currency outside of the PRC.

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Labor and Social Insurance

Labor Law was promulgated by the Standing Committee of the National People's Congress on 5 July 1994, came into effect on 1 January 1995 and was revised on 27 August 2009. According to this law, workers are entitled to fair employment, choice of occupation, labor remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. Employers may not require their employees to work in excess of the prescribed time limits and must timely pay wages that meet certain minimum wage standards. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

Labor Contract Law was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and came into effect on 1 January 2008. It was revised on 28 December 2012 and came into effect on 1 July 2013. According to this law, labor contracts must be executed in writing to establish labor relationships between employers and employees. In the event of a violation of any legal provisions of the Labor Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labor administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licenses and other penalties.

Social Insurance Law was promulgated by the Standing Committee of the National People's Congress on 28 October 2010 and came into effect on 1 July 2011. According to this law and other relevant social insurance regulations, employers in the PRC must register with the relevant social insurance authority and make contributions to the basic pension insurance, basic medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. Pursuant to Social Insurance Law, basic pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Regulations on Management of Housing Provident Funds was promulgated by the State Council on 3 April 1999 and revised on 24 March 2002. According to the Regulations, employers are required to register with the local housing fund management center and set up a special housing fund account with an entrusted bank.

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Employers are also required to contribute no less than 5% of each employee's average monthly salary in previous year to the housing fund on behalf of their employees fully and timely. The subsequent late registration or no registration may be subject to the fine above RMB10,000 and below RMB50,000.

LAWS AND REGULATIONS ON TAXATION

Income Tax

EIT Law was promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 January 2008, and revised on 14 February 2017. According to this law, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises which are established in the PRC according to law, or which are established according to the law of a foreign country (region) but whose actual management body is in the PRC. Non-resident enterprises refer to enterprises which are established according to the law of a foreign country (region) and whose actual management body is not in the PRC, but which have established agencies or offices or which haven't established agencies or offices in the PRC but have income earned in the PRC. The rate of enterprise income tax is 25% generally.

Value-Added Tax

Interim Regulations on Value-added Tax was promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994, and revised on 10 November 2008 and 6 February 2016. According to the Regulations, all entities and individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay VAT. VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is usually 17% and the rate applicable to small-scale taxpayers is 3%. Taxpayers other than small-scale taxpayers shall apply to the competent taxation authorities for the grant of qualification.

Withholding Tax on Dividend Distribution

According to EIT Law and Implementation Rules of Foreign Investment Enterprise Law, generally a withholding tax rate of 10% will be imposed on dividends paid to non-PRC resident investors. The enterprise income tax rate on the dividends may be reduced pursuant to a tax treaty between the Mainland and the jurisdictions in which non-PRC investors reside. According to Specification of Arrangements the Mainland of China Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income Order, which was promulgated by the State Administration of Taxation on 21 August 2006 and revised on 31 January 2008, 27 May 2010 and 1 April 2015, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise is the "beneficial owner" and holds at least 25% of equity interests of the PRC enterprise directly. According to Notice of the State Administration of taxation on Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement,

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which was promulgated on 20 February 2009, the proportion of equities owned by the tax resident of the other side shall, at any time within the successive 12 months before obtaining dividends, comply with the specific proportion.

LAWS AND REGULATIONS ON PROPERTIES

Real Estate Law

Property Rights Law was promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 October 2007. Property right mentioned in the Property Rights Law means the exclusive right enjoyed by the obligee to directly dominate a given thing according to law, which consists of the right of ownership, the usufruct and the security interest on property. According to this law, the creation, alteration, transfer or extinction of the property right of the immovables shall become valid upon registration in accordance with the provisions of law. The building ownership certificate is the proof that the obligee is entitled to the property right of the said buildings.

Land Administration Law was promulgated by the Standing Committee of the National People's Congress on 25 June 1986 and revised on 29 December 1988, 29 August 1998 and 28 August 2004. According to this law, no units or individuals may misappropriate, buy and sell land, or illegally transfer land by other means, however, the right to the use of land may be transferred in accordance with law. State-owned land to be lawfully used by units or individuals shall be registered with and recorded by the people's government at or above the county level, which shall issue State-Owned Land Use Rights Certificates upon verification. Units or individuals that illegally occupy and use land without approval shall be ordered by the land administration departments of the people's governments at or above the county level to return such land, demolish the structures and installations built on such land within a time limit, or the structures and installations built on such land shall be confiscated, and the units or individuals may also be fined. The persons directly in charge of the said units and other persons directly responsible for the violations shall be given administrative sanctions in accordance with law; if the violations constitute crimes, criminal responsibility shall be investigated in accordance with law. The amount of the fine shall be not more than RMB30 per sq.m. of the land illegally used according to the Regulations for the Implementation of the Land Administration Law.

Urban Real Estate Administration Law was promulgated by the Standing Committee on 5 July 1994 and revised on 30 August 2007 and 27 August 2009. According to this law, in the lease of a house, the leaser and the lessee shall conclude a written lease contract defining such clauses as the term, purpose of use, and price of the lease, liability for repair, as well as other rights and obligations of both parties, and parties of lease shall register the lease with the department of housing administration for the record.

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APPLICABLE HONG KONG LAWS AND REGULATIONS

As at the Latest Practicable Date, there are no particular laws or regulations of Hong Kong that are specific to the businesses of our Group and the industry in which our Group operates in Hong Kong.

Business Registration Ordinance

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every entity that carries on a business in Hong Kong to apply for business registration within 1 month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

Inland Revenue Ordinance

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5%. Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

Employment Ordinance

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) is an ordinance for, among others, the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies in Hong Kong. Employment Ordinance covers employment protection and benefits for employees including, among others, wage protection, paid annual leave, sickness allowance, maternity protection, statutory paternity leave and long service payment.

Employees' Compensation Ordinance

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Employees' Compensation Ordinance in general applies to employees who are employed under a contract of service or apprenticeship. Employees who are injured while working outside Hong Kong are also covered if they are employed in Hong Kong by local employers. An employer is liable to pay compensation in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment; or in respect of occupational diseases specified in the Employees' Compensation Ordinance suffered by the employees.

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Occupiers Liability Ordinance

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Occupational Safety and Health Ordinance

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- provision and maintenance of plant and systems of work that are safe and without risks to health;
- making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- provision and maintenance of a working environment for the employer's employees that is safe and without risks to health.

The Commission for Labour may also issue an improvement notice against non-compliance of this ordinance or Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury.

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Mandatory Provident Fund Schemes Ordinance

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) is an ordinance for the purpose of providing for the establishment of the non-governmental mandatory provident fund schemes. Except for exempt persons, employees (regular or casual) and self-employed persons who are at least 18 but under 65 years of age are required to join a mandatory provident fund scheme.

Minimum Wage Ordinance

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) is an ordinance for the purposes of providing a minimum wage at an hourly rate for certain employees. Minimum Wage Ordinance establishes a statutory minimum wage regime. The statutory minimum hourly rate with effect from 1 May 2015 is HK\$32.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by Minimum Wage Ordinance is void.

Trade Marks Ordinance

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under Trade Marks Ordinance and Trade Marks Rules (Chapter 599A of the Laws of Hong Kong).

According to section 10 of Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under this ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

By virtue of section 14 of Trade Marks Ordinance, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of this ordinance, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts that amount to infringement of the registered trademark are further specified in section 18 of the same ordinance. The owner of the registered trademark is entitled to remedies under Trade Marks Ordinance once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of Trade Marks Ordinance.

REGULATORY OVERVIEW

Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

Noise Control Ordinance

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) provides, among other things, the statutory controls in relation to nuisance caused by noisy activities conducted in public places.

By virtue of section 4 of the Noise Control Ordinance, any person who between the hours of 11 p.m. and 7 a.m., or at any time on a general holiday in any public places makes any noise which is a source of annoyance to any person shall commit an offence liable to a fine of HK\$10,000.

By virtue of section 5 of the Noise Control Ordinance, any person who at any time in any public place (i) plays or operates any musical or other instrument, including any record or cassette player or radio or television apparatus, (ii) uses any loud-speaker, megaphone, or other device or instrument for magnifying sound, (iii) plays any game or engages in any pastime or (iv) carries on a trade or business causing noise which is a source of annoyance to any person shall commit an offence liable to a fine of HK\$10,000.

APPLICABLE MACAU LAWS AND REGULATIONS

This section sets forth a summary of the Macau laws and regulations applicable to our Group's business operations in Macau.

1. LAWS AND REGULATIONS RELATED TO REGISTRATION AND TAXATION

Registration with the Companies Registry

Under the provisions of Macau Commercial Code and Macau Commercial Registration Code, companies that are incorporated in Macau or branches set-up in Macau (Sections 175 and 178 of Macau Commercial Code and Section 5 of Commercial Registration Code) are subject to registration with the Companies Registry.

Registration with the Tax Department

All Macau entities must be registered as tax payers with the Macau Financial Services Bureau (also known by the Portuguese acronym of "DSF"), under Section 9 of Industrial Contribution Law, being subject to payment of Industrial Contribution and Income Tax, as detailed hereunder.

REGULATORY OVERVIEW

Industrial Contribution

Industrial Contribution Law determines that Industrial Contribution is levied upon all commercial and industrial activities in Macau (Section 2, Industrial Contribution Law).

There are fixed tax rates for different activities. For instance, the leasing of equipment and machines is subject to a tax of MOP300.00 per year (activity code 83.30.00, Appendix I of Industrial Contribution Law).

Industrial Contribution is currently exempted, on an annual basis as approved in the Annual Budget Law No. 11/2016 dated 30 December 2016, for the year of 2017 (as had also been for 2016, 2015 and 2014) as a temporary relief measure.

Income Tax

Income Tax Law imposes Income Tax (also named in Macau as Complementary Tax) upon all profit gained in Macau (Sections 3, 19 and 20 of Income Tax Law), based upon the annual tax submissions due from the tax payers in February – March with respect to the previous year.

There is a special exemption of Complementary Tax in respect of the exercise of 2016 (as had been for 2015) for income up to MOP 600,000 (Section 20, Annual Budget Law). All income exceeding the referred amount is taxable at a rate of 12%.

Professional Tax submissions and withholding in respect of employees

Professional Tax Law imposes professional tax upon all employment income obtained in Macau, ie “all regular or accidental compensations, periodical or extraordinary, whether received as salary, professional fees, retaining fees, tips, percentage, commissions, subsidies, awards or others.” (section 3, Professional Tax Law).

The tax rates are defined in section 7, stating that all professional income above MOP 300,000 bears professional tax at a rate of 12%. There is a special deduction of 30% from the 2017 professional income (section 17 of Annual Budget Law and all professional income up to the amount of MOP 144,000 is exempted with respect to income generated in 2017 (Section 17(2) of Annual Budget Law), both already effective in respect of 2016. This increased exemption, however, is a temporary relief measure decided on an annual basis. If a similar measure is not enacted for the year 2018, the general threshold of MOP 95,000 will apply in 2018.

Pursuant to the Professional Tax Law and the Annual Budget Law, the Macau Subsidiary is legally required to withhold professional tax in respect of salaries higher than MOP 16,000 per month.

REGULATORY OVERVIEW

2. LAWS AND REGULATIONS RELATED TO THE PROVISION OF SERVICES IN MACAU

Import and customs clearance of the goods in Macau

The equipment leased for public performances, concerts, shows and events, such as screens, computers, TVs, cameras, projectors, etc., are not goods subject to Import License.

Import of goods of value higher than MOP5,000 into Macau territory, is subject to declaration of such equipment to the Macau customs (Sections 9 and 10 of External Commerce Law). The re-exportation of such goods is also subject to declaration. The declaration of import and export can be combined into one, with the indication of the origin of the import and the destination of the export.

Infringement of the declaration of import is subject to a fine of MOP1,000 to MOP50,000, and the equipment shall be forfeited in favour of Macau Government (Section 37).

Administrative Licensing

The following Macau relevant laws and regulations may potentially impact upon the provision of visual display services in Macau:

Public Performances

Section 2, item a), of Administrative Licensing Law, determines that public performances are subject to licensing.

The responsibility to apply and hold a valid license for the referred public performances, advertisements, shows, and others related is of the Macau entity(ies) in charge of organizing the public performances, advertisements, shows.

3. LABOUR & SAFETY REGULATIONS

Employment Law establishes the general framework for all employment relations in all areas of activity in Macau.

Non-Resident Employment Law establishes the legal requirements for non-residents to work in Macau and the general framework for non-resident employment relations in all areas of activity. For the purposes of this Law, a non-resident employee means a person who has no right of abode in Macau, but is allowed to temporarily work in Macau according to a temporary work permit based upon an employment contract concluded with (1) a Macau resident; a (2) legal person whose residence or establishment is located in Macau; or (3) a non-local resident who has set up business or industrial establishment in Macau.

REGULATORY OVERVIEW

Administrative Regulation published in the Macau Official Gazette, no 16-I, dated 19th April 2010 – governs the granting of permission to hire non-resident workers, the granting of authorization to stay to non-resident workers, the fee to be paid for hiring non-resident workers; the destination of the fees collected for recruitment. The application for granting permission to hire non-resident workers is submitted to and processed by the Non-resident Workers Employment Department of the Macau Labour Affairs Bureau. The employer must pay the “hiring duty” on the amount of MOP 200 per month per employee, due each trimester, to the Macau Social Security Fund. This regulation is complemented by Administrative Regulation no 13/2010, published in the Macau Official Gazette, no 22-I, dated 31 May 2010, which sets out some special conditions or requirements to be fulfilled by employers for the purpose of hiring non-residents in Macau.

The renewal of the authorization to hire must be applied by the employer entity to DSAL within a minimum of 2 or 3 months in advance of the expiry date of the same. If the employer entity has not fulfilled any of the conditions stated in the authorization, it may risk partial or total refusal of the renewal of the authorizations. This may be the case when the employer is required to maintain a certain number of local employees and the number of such local employees is reduced beyond the minimum required under the authorization.

Law 4/2010 regulates the terms of the Macau Social Security System, and determines the following obligations:

- that all employers should register with the Macau Social Security Fund as a contributor promptly upon hiring the first employee;
- that employees be registered with the Macau Social Security Fund upon beginning of the employment relation;
- contributions are payable to the Macau Social Security Fund quarterly based on a fixed and equal amount – currently the monthly amount is MOP 60 per employer and MOP 30 per employee (since 1 January 2017);
- Macau Social Security Fund and the Macau Labour Affairs Bureau will supervise compliance by employers.

Decree-Law no. 40/95/M governing working accidents determines that all Macau employees must be covered by the Employees Compensation Insurance (Section 62), contracted by the employer with a Macau licensed insurer.

Environmental Regulations

Decree Law no 34/93/M establishes the standards of occupational noise that has an adverse effect on workers, both physical and mental, with inevitable repercussions on the profitability of work, aiming to protect the health of workers against the risks arising from their exposure to noise at work, complemented by Decree-Law no 48/94/M (determines the penalties for breaches).

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

CORPORATE HISTORY AND DEVELOPMENT

Our Group's history can be traced back to 1991 when Mr. MP Wong, our Chairman and executive Director, and Mrs. Wong, the spouse of Mr. MP Wong, established AVP and commenced our operation.

At the early stage of our business, we provided visual, lighting and audio solution services in Hong Kong.

In the following years, to further establish our presence in the PRC, our Group established AV Shanghai, AV Beijing Jiaye and AV Guangzhou in 2003, 2005 and 2010 respectively.

In 2006, in order to expand into the Macau market, our Group established AVP Macao.

In 2016, in order to streamline our business operation, we merged our offices in Shanghai and Beijing. AV Shanghai, has since then, become our headquarters in the PRC, to handle our Group's business in the central and northern region of the PRC. In the process of streamlining our business operation, we (i) sold off AV Beijing Jiaye to Independent Third Parties on 9 July 2016 (for details of AV Beijing Jiaye, please refer to "Excluded Business of our Group" in this section) and (ii) commenced the deregistration process of AV Beijing Yuanfang in December 2016, of which the deregistration of AV Beijing Yuanfang was completed on 19 May 2017.

KEY MILESTONES

The key milestones in the development of our business are set out below:

Year	Event
1991	Mr. MP Wong and Mrs. Wong established AVP and commenced our operation in Hong Kong.
1996	We provided the visual and audio solutions services in support of shows organised by a television broadcaster in Hong Kong, which marked the beginning of our business relationship with the Hong Kong television broadcaster. From then on, we have been partnering with television and radio broadcasters in Hong Kong to provide our visual, lighting and audio solution services and audio-visual equipment rental services in different events, such as beauty pageant contests, television broadcaster anniversary ceremony, award ceremony and TV shows.
2003	We established AV Shanghai to participate in the PRC visual, lighting and audio solution services market.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

Year	Event
2005	AV Beijing Jiaye was established as a branch office in Beijing to handle our Group's business in the northern regions of the PRC.
2006	We established AVP Macao to enter into the Macau visual, lighting and audio solution services market.
2007	<p>We commenced our business relationship with a major car manufacturer in Shanghai, and provided visual, lighting and audio solution services to support the automobile exhibitions organised by them, which helped make our name known in the automobile industry. Since then, we have built our brand name in the provision of visual, lighting and audio solution services to the automobile exhibitions across the PRC.</p> <p>In the same year, we enter into our service contract with an international beverage corporation to construct a 13-metre tall replica of a trademark contour bottle of an international beverage brand, which was covered with LED strips, for an outdoor multi-stop promotion event related to the 2008 Summer Olympic Games and the 2010 Shanghai World Expo for our customer, which marked another breakthrough for us in terms of creativity and innovation in designing audio-visual solutions to implement ideas from customer by overcoming the site, shape and geographical limitation.</p>
2010	<p>AV Guangzhou was incorporated, in order to establish business presence in the south-east regions of the PRC.</p> <p>In the same year, we took part in the Shanghai World Expo by providing visual, lighting and audio solutions services to certain theme and national pavilions, among others, we arranged the special lighting effect and sound system in the Hong Kong Pavilion, and we also supported the visual, lighting and audio design required in Macau Pavilion.</p>
2012	<p>We participated as a provider of audio-visual equipment rental services and professional technical service for a well known Hong Kong artist's world tour music concert in which we were responsible for the PRC and Hong Kong regions.</p> <p>We provided audio-visual equipment rental services and professional technical service at a conference held by an international marketing company that develops and sells personal care products, and in that conference, we provided LED panels display with LED mapping effects on a 170m wide stage.</p>

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

Year	Event
2014	We provided audio-visual equipment rental services and professional technical service in the broadcast of a quadrennial world championship for men's national football team. In that event, we installed a large LED to broadcast the football match, which was the first 4K ultra high definition live demonstration in Hong Kong television history.
2015	We provided visual solutions for the design and construction of LED displays on a giant and vivid leopard-shaped model in a pageant contest in Hong Kong.
2016	We participated in a conference in relation to "One Belt, One Road" Initiative by providing visual and audio solutions to our customer which is a Hong Kong statutory body.
2017	<p>We provided visual solutions in a series of celebration events commemorating the 20th anniversary of the establishment of the Hong Kong Special Administrative Region, which include but not limited to, a banquet, a concert and other official ceremonies attended by the government officials of Hong Kong.</p> <p>We provided visual solutions in Hong Kong's first e-sports & music festival, which is a three-day event festival organised by the Hong Kong Tourism Board, featuring international players competing in popular video games.</p>

OUR COMPANY AND SUBSIDIARIES

The table below sets out the details of our major operating subsidiaries as at Latest Practicable Date:

No.	Name	Place of incorporation or establishment	Date of incorporation (or establishment) and commencement of business	Paid up capital	Effective equity interest attributable to our Company	Principal business activities
1.	AVP	Hong Kong	5 August 1986	HK\$5,009,500	100%	provision of audio and visual solutions service
2.	AVP Macao	Macao	28 November 2006	MOP300,000	100%	rental of video and audio visual media, production, planning and promotion

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

No.	Name	Place of incorporation or establishment	Date of incorporation (or establishment) and commencement of business	Paid up capital	Effective equity interest attributable to our Company	Principal business activities
3.	AV Guangzhou	The PRC	8 February 2010	RMB500,000	100%	conference and exhibition services, stage design services, stage lighting and audio equipment installation, interior decoration and design, and related consultation services
4.	AV Shanghai	The PRC	10 June 2003	USD300,000	100%	conference services, exhibition production and services, stage equipment design, production and installation

Please see “Corporate Structure” in this section for the chart showing the shareholding and corporate structure of our Group immediately after Reorganisation.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each. Our Company was incorporated for the purpose of implementing the Reorganisation. It is the holding company of our subsidiaries and its principal business activity is investment holding. As at the Latest Practicable Date, our Company was directly and wholly-owned by Mega King. Please see “Reorganisation” in this section for further details about Reorganisation.

Our subsidiary in Hong Kong

AVP

Corporate history and major changes in our shareholding structure

AVP (formerly known as Well Adored Limited), was incorporated on 5 August 1986 in Hong Kong with an authorised share capital of HK\$10,000 comprising 1,000 ordinary shares of HK\$10 each.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

On 3 May 1991, each of Mr. MP Wong and Mrs. Wong acquired from each of the initial subscribers, being Independent Third Parties, one ordinary share at par, fully paid in cash, of AVP together representing 100% of the entire issued share capital of AVP. After the said acquisition, AVP was then owned as to 50% (1 share) and 50% (1 share) by Mr. MP Wong and Mrs. Wong respectively.

On 19 June 1991, AVP issued and allotted 998 ordinary shares at par, fully paid in cash, representing 99.8% of its enlarged issued shares to Mr. MP Wong. After the said allotment, AVP was owned by Mr. MP Wong and Mrs. Wong as to 99.9% (999 shares) and 0.1% (1 share) respectively.

On 22 March 2000, the authorised share capital of AVP was increased to HK\$5,000,000 by the creation of additional 499,000 ordinary shares of HK\$10 each. On the same day, AVP issued and allotted 499,000 ordinary shares at par, fully paid in cash, representing 99.8% of its enlarged issued shares to Mr. MP Wong. After the said allotment, AVP was owned as to 99.9998% (499,999 shares) and 0.0002% (1 share) by Mr. MP Wong and Mrs. Wong respectively.

On 1 August 2012, the authorised share capital of AVP was increased from HK\$5,000,000 to HK\$5,009,500 by the creation of additional 9,500,000 ordinary A shares of HK\$0.001 each. On the same day, AVP issued and allotted 9,500,000 ordinary A shares at par, fully paid in cash, representing 95% of its enlarged issued shares to Mrs. Wong, which pursuant to a declaration of trust dated 1 August 2012, were held by Mrs. Wong on trust for Mr. MP Wong. After the said allotment, AVP was beneficially owned as to 99.99999% (9,999,999 shares) and 0.00001% (1 share) by Mr. MP Wong and Mrs. Wong respectively. The said trust was made for family reasons.

As part of the Reorganisation, on 7 April 2017, 9,500,000 ordinary A Shares of AVP are re-designated as 9,500,000 ordinary shares of AVP ranking pari passu in all respect of the ordinary shares of AVP.

As part of the Reorganisation, on 7 April 2017, Mr. MP Wong and Mrs. Wong transferred their respective 9,999,999 ordinary shares and 1 ordinary share of AVP to AV Promotions (BVI) at a total consideration of HK\$4,862,081. The consideration was arrived at after arm's length negotiations on a commercial basis with reference to inter alia the net asset value of AVP. The consideration was satisfied by the allotment and issue of 99 new shares in AV Promotions (BVI), credited as fully paid to our Company (at the direction of Mr. MP Wong and Mrs. Wong). Subsequent to the above share transfers, AVP has been 100% legally and beneficially owned by AV Promotions (BVI).

Our subsidiary in Macau

AVP Macao

AVP Macao was incorporated and registered in Macau on 28 November 2006 with a registered capital of MOP300,000 comprising 2 ordinary shares with nominal values of MOP210,000 and MOP90,000 respectively. The principal business of AVP Macao is rental of video and audio visual media, production, planning and promotion services. Pursuant to a

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

mandate agreement entered into between Mr. MP Wong and Mr. CB Wong on 3 April 2017 effective as of 23 November 2006, AVP Macao was held as to 30% by Mr. CB Wong as representative party and registered owner for the benefit of Mr. MP Wong. AVP Macao has been 100% beneficially owned by Mr. MP Wong immediately before the Reorganisation.

As part of the Reorganisation, (i) on 10 April 2017, AVP (BVI) acquired via a shares assignment contract one share with the nominal value of MOP210,000 from Mr. MP Wong representing 70% of the entire subscribed and paid up share capital of AVP Macao, at a consideration of MOP210,000. and (ii) on 10 April 2017, AVP (Macau) Investment acquired via a shares assignment contract one share with the nominal value of MOP90,000 from Mr. CB Wong (which is held by Mr. CB Wong on trust for Mr. MP Wong under a mandate agreement entered into between Mr. MP Wong and Mr. CB Wong on 3 April 2017 effective as of 23 November 2006) representing 30% of the entire subscribed and paid up share capital of AVP Macao, at a consideration of MOP90,000. The considerations were arrived at with reference to the nominal value of the share assigned. Subsequent to the above transfers, AVP Macao has been 100% indirectly owned by AVP Promotions (BVI).

Our Subsidiaries in the PRC

AV Guangzhou

AV Guangzhou was established as a wholly foreign-owned enterprise with limited liability in Guangzhou Province, the PRC on 8 February 2010 with a registered capital of RMB500,000. AV Guangzhou principally engages in the business of conference and exhibition services, stage design services, stage lighting and audio equipment installation, interior decoration and design and related consultation services in the PRC. The equity holding structure of AV Guangzhou at the time of its establishment and immediately before Reorganisation was 100% held by AVP.

Our PRC Legal Advisers confirmed that the registered capital of AV Guangzhou had been verified by certified public accountants in the PRC as being fully paid up and the establishment as described above had been approved by relevant competent authorities and were legally valid and effective.

AV Shanghai

AV Shanghai was established as a wholly foreign-owned enterprise with limited liability in Shanghai, the PRC on 10 June 2003 with registered capital of USD 300,000. Immediately before Reorganisation, AV Shanghai owned as to 100% by AVP and provided conference service, exhibition production and service, stage equipment design, production and installation in the PRC.

Our PRC Legal Advisers confirmed that the registered capital of AV Shanghai had been verified by certified public accountants in the PRC as being fully paid up and the establishment as described above had been approved by relevant competent authorities and were legally valid and effective.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

DEREGISTRATION OF SUBSIDIARIES

Shanghai Audio

Shanghai Audio was established as a company with limited liability in the PRC on 15 June 2000 with a registered capital of US\$200,000. Shanghai Audio did not have any business operation since its establishment.

Set out below was the equity holding structure of Shanghai Audio immediately before its deregistration:

Name of equity holders	Registered capital USD	Percentage
AVP	180,000	90%
Shanghai Aiwei	<u>20,000</u>	<u>10%</u>
Total	<u><u>200,000</u></u>	<u><u>100%</u></u>

In 2000, Mr. MP Wong intended to open a branch office in Shanghai. AVP formed Shanghai Audio with Shanghai Aiwei. As confirmed by Mr. MP Wong, since Shanghai Audio's establishment, the discussion between AVP and Shanghai Aiwei regarding their actual cooperation arrangement had been lack of progress and was finally put on halt as AVP could proceed with the business alone without having in the form of a joint equity enterprise. As a result, AVP and Shanghai Aiwei did not inject capital to Shanghai Audio according to the prescribed timeframe and Shanghai Audio did not commence operation at all. This end up with the business licence being revoked in 2001, and Shanghai Audio did not conduct its annual inspection. The deregistration of Shanghai Audio was approved by the relevant government authority on 6 February 2017. According to the results of the public searches conducted on 26 January 2017 and 14 March 2017 in the PRC and Hong Kong respectively, there are no records of pending litigation lawsuits or proceedings involving Shanghai Audio during the Track Record Period.

AV Beijing Yuanfang

AV Beijing Yuanfang was established as a company with limited liability in the PRC on 3 March 2015 with a registered capital of RMB1,000,000. AV Beijing Yuanfang did not have any business operation since its establishment.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

Set out below was the equity holding structure of AV Beijing Yuanfang immediately before its deregistration:

Name of equity holder	Registered Capital RMB	Percentage
AVP	<u>1,000,000</u>	<u>100%</u>
Total	<u>1,000,000</u>	<u>100%</u>

AV Beijing Yuanfang was established in 2015 aiming to capture the low to mid end visual, lighting and audio market in northern China. However, after the establishment of AV Beijing Yuanfang and having considered the advancement of telecommunication and transportation between Beijing and Shanghai and AV Beijing Yuanfang had yet to commence business, our Group no longer considered it necessary to have an entity or a separate operational base stationed in Beijing. Accordingly, for operational and cost efficiency, our Group decided to consolidate our operation in Beijing with our Shanghai office to form our PRC headquarters. Hence, AV Beijing Yuanfang made a voluntary application for its deregistration, and the deregistration was approved by the relevant government authority on 19 May 2017. To the best of our Directors' knowledge and information having made all reasonable enquiries, there were no records of pending litigation lawsuits or proceedings involving AV Beijing Yuanfang during the Track Record Period.

EXCLUDED BUSINESS OF OUR GROUP

Set out below is a company that has not been included in our Group as at the Latest Practicable Date previously held by AVP during the Track Record Period:

AV Beijing Jiaye

Date and place of establishment:	Established in the PRC with limited liability on 29 June 2005
Held by:	Wholly-owned by AVP prior to the disposal completed on 9 July 2016
Principal business of the entity:	Pursuant to the business license of AV Beijing Jiaye, AV Beijing Jiaye provided exhibition planning, design, production, and installation of exhibition and conference equipment and technological consultation service.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

AV Beijing Jiaye

Manner of disposal: AVP had disposed of its 100% interest in AV Beijing Jiaye by an equity transfer agreement dated 9 July 2016 entered into between AVP (as the vendor) and three Independent Third Parties (collectively as the purchasers), pursuant to which AVP transferred 49%, 43% and 8% of its equity interest in AV Beijing Jiaye to the three Independent Third Parties respectively at a total consideration of RMB15,000. The said consideration was determined with reference to its net asset value and AV Beijing Jiaye had ceased to be a subsidiary of AVP since 9 July 2016 and AVP ceased to have any interest in AV Beijing Jiaye since then.

The disposal was completed and settled on 9 July 2016.

Our PRC legal Advisers confirmed that the aforesaid transfers had been approved by relevant competent authorities and were legally valid and effective. After the aforesaid transfers, our Group and AVP ceased to have any interest in AV Beijing Jiaye.

Reason for disposal: Given that (i) AV Beijing Jiaye made a relatively small/nil contribution to our Group's sales and profits respectively; and (ii) most of the business of our Group in the PRC was conducted through its PRC head office, AV Shanghai which has provided visual, lighting and audio solutions all across the PRC and established good reputation in the PRC; and (iii) the disposal of AV Beijing Jiaye would reduce the administrative costs of our Group, AV Beijing Jiaye was disposed to better streamline our group structure.

After the consolidation, our operation previously carried out by AV Beijing Jiaye will be covered by AV Shanghai, due to advancement of telecommunication and transportation between Shanghai and Beijing in recent years, our Directors no longer considered necessary to have a legal entity or staff station in Beijing, hence AV Beijing Jiaye was disposed.

According to the result of public searches conducted on 14 March 2017, there are no records of pending litigation or outstanding lawsuits involving AV Beijing Jiaye in the PRC from the date of the commencement of the Track Record Period and up to 9 July 2016, being the date of completion of the disposal of AV Beijing Jiaye. As advised by the PRC Legal Advisers, AV Beijing Jiaye was not involved in any material non-compliances of applicable laws from the date of the commencement of the Track Record Period and up to 9 July 2016, being the date of completion of the disposal of AV Beijing Jiaye.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

AV Beijing Jiaye

Financial information To the best knowledge of the our Directors and based on the management accounts of AV Beijing Jiaye as at 9 July 2016 in accordance with the PRC accounting standard, AV Beijing Jiaye had recorded a net asset value of approximately RMB11,000.

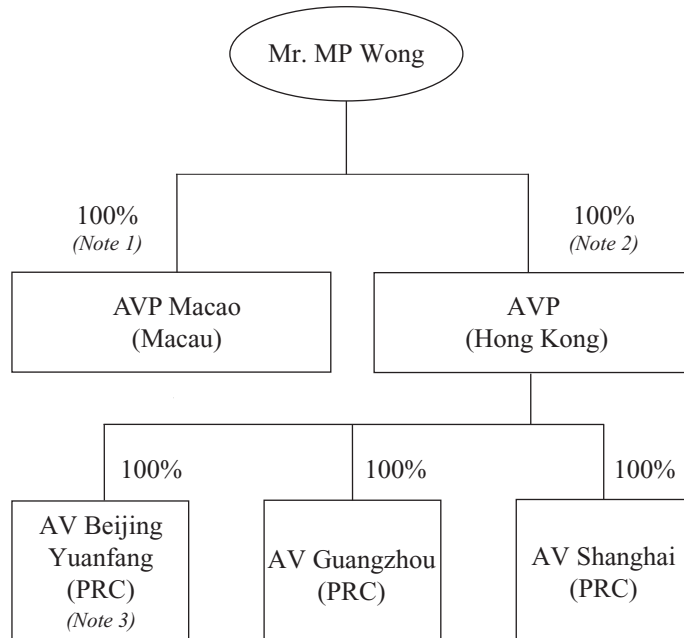
Set out below is the relevant financial information of AV Beijing Jiaye in accordance with the PRC accounting standard:

	For the year ended 31 December 2015 AV Beijing Jiaye	For the period from 1 January 2016 to 9 July 2016 AV Beijing Jiaye
Net profit/ (loss) after tax (RMB)	8,000	(487,000)

REORGANISATION

Shareholding structure of our Group immediately before the Reorganisation

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation.



Notes:

- Pursuant to a mandate agreement entered into between Mr. MP Wong and Mr. CB Wong on 3 April 2017 effective as of 23 November 2006, AVP Macao was held as to 30% by Mr. CB Wong as representative party and registered owner for the benefit of Mr. MP Wong. AVP Macao has been 100% beneficially owned by Mr. MP Wong.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

2. Pursuant to a trust declaration entered into between Mr. MP Wong and Mrs. Wong on 1 August 2012, AVP was held as to approximately 95% by Mrs. Wong on trust for Mr. MP Wong. The remaining 5% was held as to approximately 4.99999% by Mr. MP Wong and as to approximately 0.00001% by Mrs. Wong.
3. AV Beijing Yuanfang was owned as to 100% by AVP prior to the deregistration on 19 May 2017.

Reorganisation Steps

In preparation for the listing, our Group underwent a Reorganisation involving the following steps:

I. INCORPORATION OF MEGA KING, OUR COMPANY, AV PROMOTIONS (BVI), AVP (BVI) AND AVP (MACAU) INVESTMENT

Mega King was incorporated on 22 February 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares. On 22 February 2017, 1 ordinary share of par value US\$1.00 was allotted and issued to Mr. MP Wong, representing 100% of the total issued share capital of Mega King.

Our Company was incorporated on 23 February 2017 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One fully-paid Share was allotted and issued to Reid Services Limited, the initial subscriber being the nominee company of the Cayman agent, which was later transferred to Mega King on 23 February 2017. On 31 March 2017, 999 fully-paid ordinary shares of HK\$0.01 each was allotted and issued to Mega King.

AV Promotions (BVI) was incorporated on 24 February 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares. On 24 February 2017, 1 ordinary share of par value US\$1.00 was allotted and issued to our Company, representing 100% of the total issued share capital of AV Promotions (BVI).

AVP (BVI) was incorporated on 24 February 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares. On 24 February 2017, 1 ordinary share of par value US\$1.00 was allotted and issued to our Company, representing 100% of the total issued share capital of AVP (BVI).

AVP (Macau) Investment was incorporated on 24 February 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares. On 24 February 2017, 1 ordinary share of par value US\$1.00 was allotted and issued to our Company, representing 100% of the total issued share capital of AVP (Macau) Investment.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

II. (i) RECLASSIFICATION OF CLASS OF SHARES IN AVP (ii) ACQUISITION OF AVP FROM MR. MP WONG AND MRS. WONG BY AV PROMOTIONS (BVI) AND (iii) ACQUISITION OF 70% EQUITY INTEREST IN AVP MACAO FROM MR. MP WONG BY AVP (BVI) AND 30% EQUITY INTEREST IN AVP MACAO FROM MR. CB WONG BY AVP (MACAU) INVESTMENT

By a special resolution passed at the general meeting on 7 April 2017, the 9,500,000 ordinary A shares of AVP (which are held by Mrs. Wong as trustee on behalf of Mr. MP Wong pursuant to a declaration of trust dated 1 August 2012) are re-designated as 9,500,000 ordinary shares of AVP ranking pari passu in all respect of the ordinary shares of AVP.

On 7 April 2017, AV Promotions (BVI) acquired (i) from Mr. MP Wong 9,999,999 ordinary shares and (ii) from Mrs. Wong 1 ordinary share of AVP representing approximately 99.99999% and 0.00001% of entire issued share capital of AVP respectively, at the total consideration of HK\$4,862,081 (being the unaudited net asset value of AVP as at 31 December 2016). The consideration was satisfied by the allotment and issue of 99 new shares in AV Promotions (BVI) credited as fully paid to our Company (at the direction of Mr. MP Wong and Mrs. Wong).

On 10 April 2017, AVP (BVI) acquired via a shares assignment contract one share with the nominal value of MOP210,000 from Mr. MP Wong representing 70% of the entire subscribed and paid up share capital of AVP Macao, at a consideration of MOP210,000 which was paid in full by bank draft on 10 April 2017. The consideration was arrived at with reference to the nominal value of the share assigned.

On 10 April 2017, AVP (Macau) Investment acquired via a shares assignment contract one share with the nominal value of MOP90,000 from Mr. CB Wong (which is held by Mr. CB Wong as representative party and registered owner for the benefit of Mr. MP Wong under a mandate agreement entered into between Mr. MP Wong and Mr. CB Wong on 3 April 2017 effective as of 23 November 2006) representing 30% of the entire subscribed and paid up share capital of AVP Macao, at a consideration of MOP 90,000 which was paid in full by bank draft on 10 April 2017. The consideration was arrived at with reference to the nominal value of the share assigned.

After the said acquisitions, the entire issued share capital of AVP Macao was owned by AVP (BVI) as to 70% and AVP (Macau) Investment as to 30%, which were in turn wholly-owned by our Company which was in turn wholly-owned by Mega King which was in turn wholly-owned by Mr. MP Wong and the entire issued share capital of AVP was wholly-owned by AV Promotions (BVI), which was in turn wholly-owned by our Company which was in turn wholly-owned by Mega King which was in turn wholly-owned by Mr. MP Wong.

III. FORMATION OF THE WMPE FAMILY 2017 TRUST

The WMPE Family 2017 Trust was constituted by way of the Trust Deed for the purpose of making long-term financial provision for his family members and protecting the family's assets. The Trustee is appointed to act as the trustee of The WMPE Family 2017 Trust, whose duty is to manage, administer, deal with and distribute the capital and income of the said trust for the benefit of the beneficiaries.

The beneficiaries of The WMPE Family 2017 Trust include:

- (i) Mr. MP Wong;
- (ii) Mrs. Wong;
- (iii) Mr. Wong Hin Hang, the son of Mr. MP Wong and Mrs. Wong;
- (iv) Ms. Wong Hin Fei, the daughter of Mr. MP Wong and Mrs. Wong; and
- (v) such persons as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the Trust Deed.

IV. ACQUISITION OF MEGA KING FROM MR. MP WONG BY JUMBO FAME

Jumbo Fame was incorporated on 2 December 2016 in the BVI as a BVI business company and is authorised to issue a maximum of 50,000 shares. On 10 April 2017, 1 ordinary share of par value US\$1.00 was allotted and issued to the Trustee, representing 100% of the total issued share capital of Jumbo Fame.

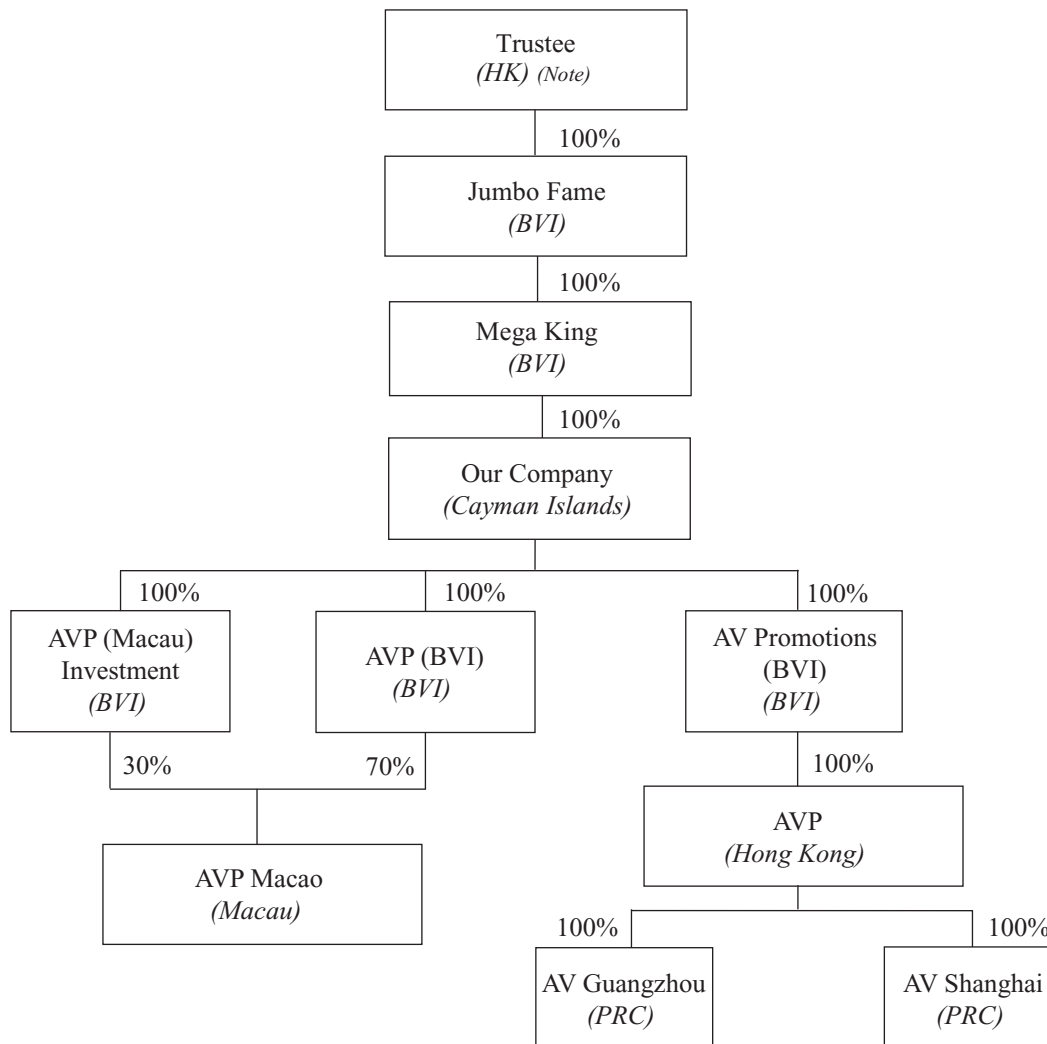
On 10 April 2017, Mr. MP Wong transferred the entire issued share capital of Mega King to the Jumbo Fame for a consideration to be satisfied by the allotment and issuance of an aggregate of 99 new shares in the Jumbo Fame, credited as fully paid, to the Trustee (at the direction of Mr. MP Wong).

After the said transfer, the entire issued share capital of each of AV Promotions (BVI), AVP (BVI) and AVP (Macau) Investment were wholly-owned by our Company which was in turn wholly-owned by Mega King which was in turn wholly-owned by Jumbo Fame and that Jumbo Fame was wholly-owned by the Trustee as the trustee of The WMPE Family 2017 Trust.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE

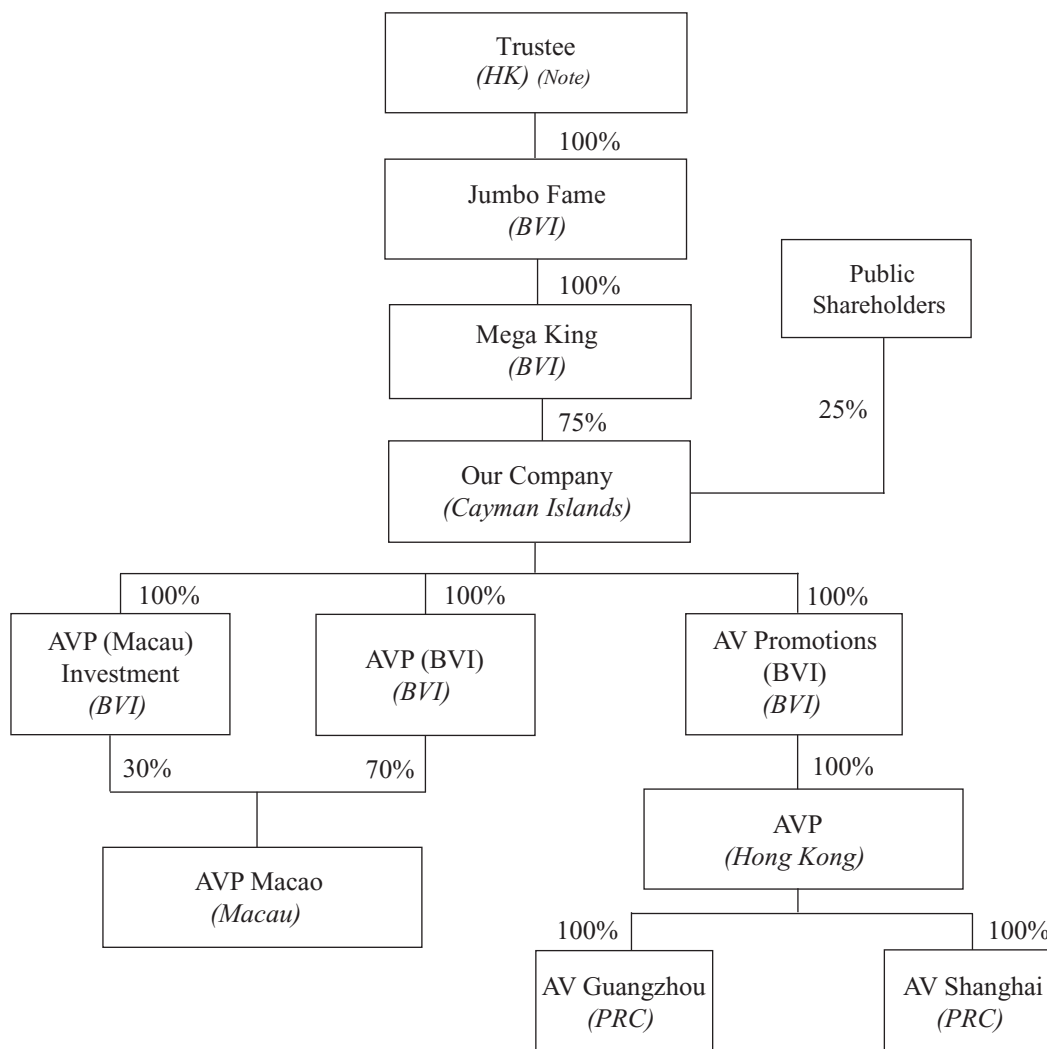
The shareholding and corporate structure of our Group immediately after completion of the Reorganisation is illustrated in the diagram below.



Note: The entire issued shares of Jumbo Fame are 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 include, 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 persons as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the Trust Deed.

HISTORY, CORPORATE DEVELOPMENT AND REORGANISATION

The shareholding and corporate structure of our Group immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options granted under the Share Option Scheme) is illustrated in the diagram below.



Note: The entire issued shares of Jumbo Fame are 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 include, 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 persons as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the Trust Deed.

BUSINESS

OVERVIEW

We are a one-stop visual, lighting and audio solutions provider mainly in the PRC, Hong Kong and Macau. Established in 1991 and with more than 25 years of operating history, we have substantial expertise and strong capabilities in providing visual, lighting and audio solutions services to our customers.

As a one-stop visual, lighting and audio solutions provider in the PRC, Hong Kong and Macau, we provided our customers with a comprehensive scope of services, from providing advice on the technical feasibility of our customers' visual, lighting and/or audio designs, sourcing of appropriate equipment to help achieve our customers' desired effects, on-site installation of equipment, providing on-show technical support to post-show equipment dismantling. Depending on their needs, customers can choose from one or a combination of our solutions. We cater the specific needs of our customers by providing creative and innovative solutions in different events such as concerts, car shows, book fairs, brands & products expo, awards ceremonies, beauty pageant contests, auctions, promotional events, fashion shows, exhibitions, conferences, commercial events such as annual dinner and annual general meeting, as well as private events such as wedding banquet. Depending on the events host by our client, we provide our services in different venues in the PRC, Hong Kong and Macau including but not limited to National Exhibition and Convention Centre in Shanghai, Hong Kong Coliseum, AsiaWorld-Expo, Hong Kong Convention and Exhibition Centre, Kowloonbay International Trade & Exhibition Centre, as well as function rooms of various hotels.

We are typically responsible for the overall implementation of our client's visual, lighting and/or audio conceptual designs by providing planning, staging and execution recommendations to our customer as well as providing recommendations in respect of selection, coordination and configuration of equipment. We offer a wide array of visual, lighting and audio solution services and coordinate the use of a wide collection of equipment to attain our customers' desired effects and fulfill their specific requirements.

For visual solution services, we provide pre-execution consultation on visual effect design and technical feasibility including the provision of suggestions on the applications of visual display equipment and arrange to customise visual display solutions to client's specific requests. Once the visual display solutions are finalised, we will provide on-site installation service in accordance with our client's requirements so as to achieve the customers' desired visual effects. We generally use projectors, presentation switchers and LED visual equipment in providing visual solution services.

For lighting solution services, we offer lighting design concepts and suggestions on the choices of lights with a view to realising our customers' desired lighting effects. To help ensure satisfactory implementation of the lighting designs and performance of the lights provided at optimal conditions, we will also provide on-site installation service as well as lighting programming services in accordance with our customers' requirements. We generally use general lighting and special effect lighting in providing lighting solution services.

BUSINESS

For audio solution services, we will provide suggestions on the applications of audio equipment depending on the size of the venue and the requirement of the events. We also provide on-site installation services to help ensure the audio equipment provided to our customer is performing well. During the execution of the project, our staff will control the audio equipment such as panel and arrange dismantling of equipment when the project is completed. We generally use power amplifier controller, audio control system, microphones and speakers in providing audio solution services.

Our management and staff will attend overseas trade shows to keep abreast of the latest trends and developments on the technology and equipment in our industry. Leveraging on our experience in this industry, together with our well-trained workforce, as well as our established relationships with our experienced suppliers, as supported by our ability to coordinate the use of different equipment, we are capable of offering customised and innovative visual, lighting and/or audio solutions to cater to our customers' specific needs in different events. For details, please refer to "Business – Our Competitive Strengths" in this prospectus.

OUR COMPETITIVE STRENGTHS

Experienced and Dedicated Management with Proven Track Record

We have an experienced, dedicated and capable management team, led by our executive Directors, Mr. MP Wong, Mr. HP Wong, Mr. CB Wong and Ms. Fu which have been instrumental in spearheading our growth.

Our executive Directors have over 25 years of experience in visual, lighting and audio solutions industry in which they started their career in the visual, lighting and audio solutions industry as frontline technicians. For details, please refer to "Directors, Senior Management and Employees" in this prospectus.

In addition, we have built an experienced and capable senior management team with a proven track record in the visual, lighting and audio solutions industry as well as a team of committed and well-trained frontline staff.

Over the years, our executive Directors and our senior management team have built close relationships with our principal customers and suppliers, accumulated in-depth knowledge of the industry and have stayed abreast of industry development and market trends. The in-depth industry knowledge and extensive operational and management experiences of our team of management and staff have helped us ensure smooth execution and completion of our projects at a competitive price level.

Our dedicated management team's continuous pursuit of professionalism and service excellence has fostered a strong customer-oriented culture within our Group, reinforcing our devotion to exceed customers' expectations.

BUSINESS

We are a one-stop visual, lighting and audio solutions provider

We are capable of providing our customer a one-stop service which includes visual, lighting and audio solutions. Our one-stop service approach provides our customers with convenient and cost-saving initiatives to obtain an innovative, tailor-made and comprehensive solution to their projects. Our strong and experienced management team and specialised technical staff have been working closely together to provide high-quality visual, audio and lighting solutions.

With our one-stop integrated service approach, our Group is able to manage and coordinate different aspects of visual, lighting and audio solutions and endeavours to deliver a result that exceeds our customers' expectations. For instance, we had projected special visual effects on the uneven surfaces of the stones and interior of the Reed Flute Cave in Guilin, the PRC during our client's product launch which demonstrated our ability to accomplish creative visual and lighting solutions in a special venue with specific environment. We had previously made use of LED lighting to imitate natural lightning during our client's fashion show. Another example is that we had provided visual solutions for the design, set-up and installation of a 13-metre-tall replica of a trademark contour bottle of an international beverage brand, which was covered with LED strips, for an outdoor multi-stop promotion event related to the 2008 Summer Olympic Games and the 2010 Shanghai World Expo for our client. A further example is that we provided visual solutions for the design and construction of LED displays on a giant and vivid leopard-shaped model in a pageant contest of our client in Hong Kong.

We have stable and long-term business relationships with our customers

We have established stable and long-term business relationships with our customers comprised of end-customers and intermediaries which included reputable organisations and commercial enterprises such as television and radio broadcasters, Hong Kong government and other statutory bodies, event organisers as well as motor vehicle manufacturers and distributors. During the Track Record Period, the majority of projects awarded to us have been awarded or referred to us by our recurring customers. By maintaining close relationship with our customers with the assistance of our sales and marketing team, we are able to ensure that our Group will be informed of any potential business opportunities.

By maintaining a close relationship with our customers, we believe that we are able to gain a better understanding of our customers' needs and up-to-date market trends, which facilitates the alignment of our project execution outcomes with our customers' expectations. Further, our ability to maintain a stable relationship with certain sizeable companies/organisations in Hong Kong and the PRC is expected to provide a stable source of revenue to our Group.

Further information on our customers is set out in "Customers" in this section.

BUSINESS

OUR BUSINESS STRATEGIES

We plan to strengthen our brand image by maintaining and reinforcing our position as a one-stop service provider which provides customised innovative solutions for middle to high-end customers and we intend to strengthen our position and expand revenue sources by implementing the following business strategies:

Maintain and strengthen our strong market position in the PRC, Hong Kong and Macau by continuing to provide innovative solutions to our customers

We position ourselves as a one-stop visual, lighting and audio solutions provider targeting middle to high-end customers in the market and strive to provide innovative ideas to meet the rising demands of our customers. Given the quality of our service and our capabilities in providing innovative solutions over the years as well as our understanding of the needs of our customers by dedicating ourselves to achieving customers' satisfaction through establishing client-based projects and continually updating our technologies, we have established a strong reputation in the market in the PRC, Hong Kong and Macau. In order to keep up with our business and rapid advances in technology, we keep track of the latest technology and equipment in the industry through our well-established network and our management and staff attend overseas trade shows to keep abreast of the latest trends of technology and equipment in the industry. As a visual, lighting and audio solution provider, our ability to equip ourselves with the latest visual, lighting and audio equipment is of particular vital importance to our very end of maintaining and strengthening our market position and to meet the needs of our discerning customers, existing and potential alike. We will continue to upgrade our equipment and equip our Group with the latest models of audio, visual and lighting equipment with multiple functionality to enhance our capability and flexibility in providing more advanced form of visual, lighting and audio effects to suit the ever-changing needs of our customers or potential customers and keep up with the trends of the PRC, Hong Kong and Macau markets.

In an age where imaginative and ingenious visual, audio and lighting effects are what customers by and large are looking for, simple computer simulation and on stage demonstration of visual, lighting and audio effects will no longer meet their needs. Customers are expecting pre-on-stage demonstration like mock-up event or show in studio to demonstrate and to get a comfort that the proposed visual, audio and lighting effects are to their liking and to make changes in advance where necessary. While we may manage to make arrangement for visual, lighting and audio equipment for on-stage demonstration, our Group does not currently own or have the long-term financial flexibility to acquire the latest models of equipment or system which may provide a more customisable and/or comprehensive scope of functionality or technologies or are better suited or readily available to our potential customers for dynamic pre-on-stage live demonstration to facilitate the solicitation of business for our Group. To this end, we intend to set-up a studio in Shanghai strategically located in the vicinity of our headquarters (also where our major customers are located and most of our Group's revenue were generated in the PRC). We anticipate that the studio will comprise such visual, lighting and audio effect equipment of top quality, multi-functionality and/or latest model/generation/technologies (including computer/digital systems and other equipment for projection mapping and real scene stimulation) to carry out pre-on-stage demonstration which our Group intended to acquire by applying net proceeds

BUSINESS

from the Share Offer. We will also make use of the visual, lighting and audio equipment currently available to our Group if and to the extent that they are suitable for demonstration purposes and meet with customers' budget and other requirements. The setting up of the studio would (i) enhance our professional image and our competitiveness in the industry; (ii) provide us with a platform upon which our Group's could experiment the visual, lighting and audio effects proposals and improve on them; (iii) allow us to provide a live experience of the expected visual, lighting and audio effects to our customers and potential customers; and (iv) provide us with a platform upon which we could better interact with our customers or potential customers and obtain spontaneous response from them, which are all conducive to business solicitation and/or project sophistication. The studio would comprise open space for constructing mock-up of event stage or booth with affix truss and cable wires for installing LED, projectors, lighting and other audio equipment. The studio will be able to demonstrate live effect of what the proposed visual, lighting and audio effects would be onstage during the show or event.

As disclosed in the "Industry Overview" section of this prospectus, larger players within the industry typically own or are exploring to own a studio to demonstrate technical capabilities or equipment to clients, particularly during the pitching phase or to provide pre-on-stage demonstration when necessary. Across the PRC, Hong Kong and Macau, leading or specialist firms also supplement equipment inventory with new advanced equipment in line with constantly shifting compatibility and software requirements due to the need to cater for clients' demand.

Our total investment for the acquisition of advanced visual, lighting and audio equipment and for the setting up of new studio in Shanghai is estimated to be in aggregate amounted to HK\$21.1 million, which will be financed by net proceeds from the Share Offer.

Expanding our business to related services in the projects

Based on our established competitive strengths, on top of providing visual, lighting and audio solutions, we also plan to expand our services by including staging, booth construction and backdrop construction services as we note that there is a rising demand for audio and visual solutions provider to also provide such services. This will provide a more comprehensive and fit out solution to our customers which is expected to strengthen our business, enhance our reputation and customer base, and in turn increase the opportunities for generating further profit. For more details, please refer to "Statement of Business Objectives and Use of Proceeds – Use of Proceeds and Implementation Plans" in this prospectus.

Deepen our customer relationships and further expand our customer base

During the event, our onsite supporting staff will be stationed in the venue to provide ongoing technical support. On top of being able to respond to immediate needs of our customers and maintain high standard services, we can also get a further comprehensive understanding on the respective preferences and needs of our existing and potential customers through this approach. Our Directors believe that this allows us to develop a closer relationship with our existing customers and expand our customer base by word of mouth.

BUSINESS

BUSINESS MODEL AND OPERATION

During the Track Record Period, we generated revenue through provision of visual solutions, audio solutions and lighting solutions to our customers. In general, we rent equipment for our operations in the PRC and use our own equipment for our operations in Hong Kong and Macau. Depending on the specifications and requirements of our customers, we, relying on our expertise and experience, will identify the appropriate visual, lighting and audio equipment in providing our services. For the year ended 31 December 2016, approximately 50.9%, 42.7% and 6.4% of our revenue were generated from the PRC, Hong Kong and Macau respectively. For the year ended 31 December 2015, approximately 56.1%, 36.4% and 7.5% of our revenue were generated from the PRC, Hong Kong and Macau respectively. For the six months ended 30 June 2017, approximately 70.1%, 21.8% and 8.1% of our revenue were generated from the PRC, Hong Kong and Macau respectively. For the six months ended 30 June 2016, approximately 49.5%, 43.9% and 6.6% of our revenue were generated from the PRC, Hong Kong and Macau respectively.

Visual solutions

Our business of visual solutions involves the provision of services ranging from the provision of technical advice, pre-production preparation to operating support. The first phase of provision of visual solutions is understanding the conceptual design of our customers via our preliminary consultation and providing preliminary advice on the technical feasibility of our customers' conceptual designs, followed by proposing customised solutions and advising on the optimum type of equipment to be used in the events to achieve our customers' desired visual effects, as well as providing other planning and coordination services as are required. We will also demonstrate the effect of our proposed solution via computer simulation or demonstration to our customers before such visual solution is finalised. Installation advice in respect of the right viewing angle and the optimum resolution and size of images and videos to be projected on LED displays will also be provided.

Lighting solutions

Our business of lighting solutions include the provision of staging lighting design with professional lighting equipment and control panel, creating different lighting combinations for different purposes. After preliminary discussion with customers to understand their needs, our technicians will formulate the lighting design and determine the optimum type of equipment to be used in the events and demonstrate the lighting effect to our customers. For instance, we advise our client on the position, angle, colour and type of lighting equipment required which suits the needs of different events.

BUSINESS

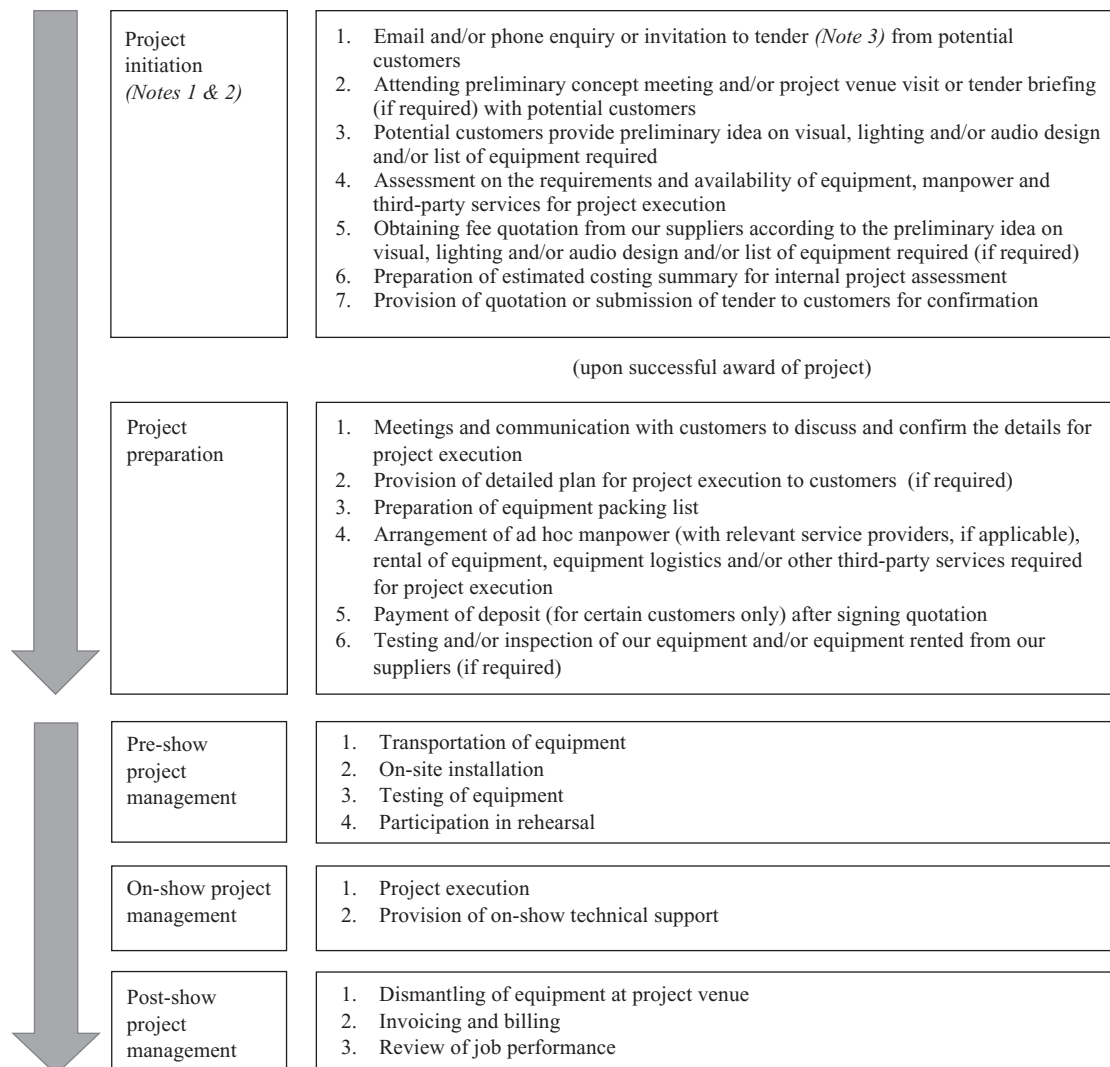
Audio solutions

Our business of audio solutions involves the provision of advice on the optimum audio effects to meet our customers' needs in the audio part of particular events. We advise our client on the type and quantity of audio equipment such as amplifiers, speakers, microphones and speakers to be used, sound coverage, volume as well as the positioning and installation of the audio devices in the events for achieving the best sound effect.

For each of our businesses of providing visual, lighting and audio solutions, we will coordinate and monitor all technical aspects required for the delivery of our solutions, arrange for the formation of production crew and scheduling of equipment, perform on-site equipment installation and pre-event inspection and testing of equipment, and participate in the event rehearsals before actual delivery of our visual, lighting and/or audio solutions to customers. Our technicians will station at the event venue throughout the event to operate the equipment and provide technical support on an ongoing basis to help ensure a seamless delivery of our solutions to customers.

BUSINESS

The following chart summaries the business and revenue model of our visual, lighting and audio solutions business:



Note 1: Projects include exhibitions, conferences, concerts, banquets, and other projects which require visual, lighting and/or audio solutions to be provided by our Group.

Note 2: Potential customers may from time to time include representatives or agency appointed by potential customers.

Note 3: Approximately 3.5%, 5.4% and 2.3% our revenue were generated from tender projects for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 respectively.

1. Project initiation

Email and/or phone enquiry from potential customers

We generally receive enquiries from our customers by emails or telephone. Our marketing team will then have an initial discussion with our customers to have a basic understanding of their request and basic information of the project such as time, venue, our customer's preliminary ideas or requirements on visual, lighting and/or audio design, equipment required and budget.

Attending preliminary concept meeting and/or project venue visit with potential customers

We may hold a conceptual meeting with our customers where our customers may share and elaborate their preliminary ideas on visual, lighting and/or audio design and we may request further information to get a better understanding of the visual, lighting and/or audio effects and outcome that our customers aspire to achieve, as well as their requirements on the desired specifications of the equipment to be used. If necessary, we will also participate in the site visit to the project venue to understand the specific characteristics and limitations of the venue. We may also advise our customers on the technical feasibility of their preliminary ideas on visual, lighting and/or audio design and effects and propose preliminary customised solutions to achieve their desired outcome. We may then advise our customers on the equipment to be used to create the best outcome and discuss the feasibility of these ideas with our suppliers. We may also demonstrate the visual, lighting and/or audio effect of our proposed customised solution to our customers via computer simulation or by demonstration, if required.

Potential customers provide preliminary idea on visual, lighting and/or audio design and/or list of equipment required

Some of our customers may directly provide us with their idea on the required visual, lighting and/or audio design and/or list of equipment required for our reference and arrangement.

Assessment on the requirements and availability of equipment, manpower and third-party services for project execution

We will assess and determine with our expertise the equipment needed to implement our customised solution proposed to customers and we will check the availability of the equipment and manpower required during the project period with reference to our scheduling of other projects. This can better ensure we have capacity to handle the projects and ascertain if third-party services such as ad hoc manpower is required for project execution.

BUSINESS

Obtaining fee quotation from our suppliers according to the preliminary idea on visual, lighting and/or audio design and/or list of equipment required (if required)

We will obtain fee quotation from our suppliers for rental of equipment (if necessary), transportation of equipment as well as hiring of ad hoc manpower.

Preparation of estimated cost summary for internal project assessment

We take into account a number of factors in determining our fee quotation to our customers, such as type and quantity of the equipment required, project duration, level of manpower required for on-site installation, dismantling and operation of equipment and transportation cost, as well as the cost we expect to incur for third-party services (if required).

Provision of quotation to customers for confirmation

After estimation of cost for executing the project, we will issue a quotation to our customers for their confirmation and signing, which generally sets out the location, event name, show date, a list specifying the quantity and specifications of equipment required, list of manpower required and miscellaneous fee(s) such as transportation cost and overnight set-up or dismantling fee (if applicable). If there is any subsequent change in any of the terms due to reasons such as alternation of requirements by our customers, we will adjust our service fees accordingly.

Invitation to tender from potential customers

We initially receive a written form of invitation to tender from our prospective customers in which we are invited to submit bids for the due execution of the project with the provision of our visual, lighting and/or audio solutions within a specified timeframe as set out in the written invitation.

Attending tender briefing (if required)

We will attend tender briefing (if required) to have a better understanding of the project requirements.

Submission of tender

The tender preparation process involves an analysis of the project requirements and collection of cost data, including the availability of our equipment and/or manpower. Before submission, the management has to approve each tender. After our tender submission, our customers would decide whether to engage us as its visual, lighting and/or audio solution services provider and notify us whether our tender has been accepted.

2. *Project preparation*

Meeting and communicate with customers to discuss and confirm the details for project execution

After our engagement is confirmed, we may meet the customers again where we may discuss in further detail as to how the project is to be executed. We will finalise the customised solutions with customers and we may show them the demonstration of the finalised customised solutions in order to help them visualise the ultimate visual, lighting and/or audio effects, and confirm the details required for project execution.

Provision of detailed plan for project execution to customers (if required)

We will also provide detailed project execution plan to our customers to ensure smooth execution of the project if required.

Preparation of equipment packing list

For projects in which we use our own equipment for project execution, we prepare the equipment packing list according to the signed quotation or tender specifications for our workers to pack the equipment from our warehouse and record the movement of the equipment.

Arrangement of ad hoc manpower, rental of equipment, equipment logistics and/or third-party services required for project execution

In Hong Kong and Macau, we generally use technicians employed by us and our own equipment for project execution. We may engage ad hoc manpower from suppliers in addition to manpower employed by us and rent external equipment for project execution, and arrange the transportation of equipment with third party logistics companies if necessary.

In the PRC, we generally rent equipment from our suppliers and use technicians employed by us for project execution. We may arrange the transportation of equipment with our equipment rental service suppliers or third party logistics companies, and hire ad hoc manpower if necessary.

Payment of deposit

We generally require new customers to pay a deposit after signing of the quotation. However, we may waive such requirement for long term customers.

Testing and/or inspection of our equipment and/or equipment rented from our suppliers (if required)

In Hong Kong and Macau, we will perform testing and/or inspection of our equipment before they are lodged for transportation to the project venue.

In the PRC, since we generally rent equipment required for project execution from suppliers, we will generally perform testing and/or inspection of the equipment offered by suppliers after the equipment is transported to the project venue but before project execution. We may also test and/or inspect the rented equipment prior to its transportation to the project venue if necessary, for example if it is our first time cooperating with the equipment supplier, or if the equipment to be provided is required for a complex visual, lighting and/or audio setting to attain the specific effects desired by our customer.

3. *Pre-show project management*

Transportation of equipment

In Hong Kong, we generally use our own fleet of vehicles consisting of 2 lorries for transportation of our equipment from our warehouse to the designated venue, and arrange transportation of equipment with third party logistics companies if necessary. In the PRC and Macau, we generally engage third party logistics companies to provide transportation of the required equipment to the designated venue.

On-site installation and testing of equipment

We carry out on-site installation of the equipment. Depending on the scale, complexity and size of the project and our customers' schedule, it generally takes around 1 to 7 days to install the equipment at the venue. After the installation of equipment, we will carry out testing at the venue during rehearsal to ensure the equipment are functioning properly.

Participation in rehearsal

We will participate in the rehearsal of our customers to ensure the smooth execution of the project.

4. *On-show project management*

Execution of the project, project management in relations to provision of AV solution and provision on-site technical support

During the event, our technicians will station at the venue to operate the equipment, manage all technical aspects and provide technical support on an ongoing basis. Our technicians will bring along extra equipment to deal with any technical issues that may arise during the event.

BUSINESS

5. *Post-show project management*

Dismantling of equipment at project venue

After completion of the project, the equipment will be dismantled at the venue and delivered back to our warehouse (for our equipment) or return to the supplier (for rented equipment) after the project is completed. Our technicians will supervise the dismantling process to ensure it is performed properly.

Invoicing and billing

We will issue an invoice to our customer after the project is completed. Our invoices to customers for services rendered by us are generally due upon presentation of invoices to customers. Nevertheless, we may extend credit to our customers that are generally recognised or creditworthy according to our assessment during our usual and ordinary course of business. Our customers will normally settle our fee in full within approximately three months.

Review job performance

After the project is completed, our technicians and marketing team may review the performance of our services with a view to enhancing our performance in the future, if necessary.

The contract sum of our projects varied project by project. For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our total revenue generated from our services was approximately HK\$179.7 million, HK\$184.0 million and HK\$107.2 million respectively.

The following table sets forth our revenue by geographic locations for the periods indicated:

	Year ended 31 December 2015		Year ended 31 December 2016		Six months ended 30 June 2016		Six months ended 30 June 2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(Unaudited)</i>							
The PRC	100,848	56.1	93,629	50.9	42,109	49.5	75,222	70.1
Hong Kong	65,358	36.4	78,499	42.7	37,267	43.9	23,356	21.8
Macau	<u>13,508</u>	<u>7.5</u>	<u>11,851</u>	<u>6.4</u>	<u>5,609</u>	<u>6.6</u>	<u>8,658</u>	<u>8.1</u>
Total revenue	<u>179,714</u>	<u>100.0</u>	<u>183,979</u>	<u>100.0</u>	<u>84,985</u>	<u>100.0</u>	<u>107,236</u>	<u>100.0</u>

BUSINESS

The following table sets forth our revenue by types of events during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June					
	2015			2016			2016			2017		
	Number of projects		%	Number of projects		%	Number of projects		%	Number of projects		%
	HK\$'000			HK\$'000			HK\$'000			HK\$'000		
Exhibition	613	117,042	65.1	520	111,366	60.5	242	51,571	60.7	234	70,147	65.4
Ceremony	144	16,488	9.2	187	19,012	10.3	94	9,158	10.8	51	5,923	5.5
Conference	161	13,649	7.6	184	14,482	7.9	83	5,805	6.8	74	11,308	10.5
Concert	86	9,146	5.1	66	10,206	5.5	38	6,064	7.1	26	3,984	3.7
TV show	100	8,242	4.6	149	9,875	5.4	64	3,462	4.1	54	4,565	4.3
Product launch	65	7,447	4.1	86	9,256	5.0	42	4,643	5.5	25	5,619	5.2
Others (Note)	132	7,700	4.3	259	9,782	5.4	136	4,282	5.0	172	5,690	5.4
	<u>1,301</u>	<u>179,714</u>	<u>100.0</u>	<u>1,451</u>	<u>183,979</u>	<u>100.0</u>	<u>699</u>	<u>84,985</u>	<u>100.0</u>	<u>636</u>	<u>107,236</u>	<u>100.0</u>

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

The table below sets out the number of projects (Note) completed by our Group during the Track Record Period:

Number of projects completed during the year ended 31 December 2015	<u>1,301</u>
Number of projects completed during the year ended 31 December 2016	<u>1,451</u>
Number of projects completed during the six months ended 30 June 2016	699
Number of projects completed during the six months ended 30 June 2017	<u>636</u>

Note: Projects of our Group may range from provision of full scope visual, lighting and audio solution services to our customers to simply the provision and operating of one or two specific visual, lighting or audio equipment for our customers with a relatively short project duration.

Projects participated by our Group include exhibitions, such as book fairs and car shows, in which our Group may provide visual, lighting and audio solution services to more than one participant in an exhibition and our provision of services to each participant will be considered as one separate project.

BUSINESS

EQUIPMENT

For visual equipment, we generally use presentation switchers, LED visual equipment and projectors. For lighting equipment, we generally use general lighting and special effect lighting. For audio equipment, we generally use power amplifier controller, audio control system, microphones and speakers.

Equipment utilisation rate

Our Group owns over 8,000 pieces of equipment, thus it is not feasible and not practicable to quantify and disclose detailed utilisation rate of the equipment as the utilisation rate of individual equipment cannot be clearly defined and there are various or combination of various equipment. We use different equipment in different project depending on the requirement of our customers. As such, it would be difficult and not meaningful to define accurate utilisation rate of equipment in general. Furthermore, it is not practicable for us to make a full account of the daily or hourly usage of each individual equipment.

Useful life and average age of equipment

The following table sets out the useful life and average age of the major type of equipment as at 30 June 2017:

Major type of equipment	Useful life <i>Note (1) and (2)</i>	Average age
LED	5-12 years	3.8 years
Projectors and other visual equipment	7-12 years	5.4 years
Control panel	7-12 years	6.1 years

The following table sets out a breakdown of the value of our equipment by different age groups as at 30 June 2017:

Age of equipment	Number of units of equipment	Net book value of equipment <i>(Note (3))</i> HK\$'000	Original cost of acquisition of equipment HK\$'000
Less than 1 year	399	11,373	23,010
1 year to less than 3 years	2,731	12,858	25,721
3 years to less than 5 years	3,391	21,514	42,907
5 years or above	2,469	35,423	71,978
Total	<u>8,990</u>	<u>81,168</u>	<u>163,616</u>

BUSINESS

Notes:

- (1) Depreciation on our equipment is calculated using the reducing balance method to allocate their costs to their residual values at a rate of 15% to 30% per annum.
- (2) The time for replacement of individual equipment varies due to reasons such as utilisation rate.
- (3) None of the equipment of our Group which have not been fully depreciated had been impaired due to technological obsolescence during the Track Record Period. Our Directors confirm that our customers' demand of AV equipment varies in relation to their budget and the nature of their events to be held. Our customers may or may not demand for the latest model or the most advance AV equipment from us for their events. Our Directors confirm that in general, our AV equipment which have not been fully depreciated and with relatively long age or older model had been using and is expected to continue to be used by our customers who are budget conscious and/or do not require the latest model or the most advance AV equipment for their events. Pursuant to the accounting policies of our Group, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on our accounting policies, our Group has regularly reviewed our equipment which was not fully depreciated and as at the Latest Practicable Date, such equipment had no impairment concerns.

Repair and maintenance

We perform inspection on our equipment prior to commencement of our projects. Routine maintenance procedures such as cleaning dust out of the equipment to ensure smooth operation are performed on an on-going basis by our employees. Equipment that are found to be malfunctioning or out of order are sent to examination and repair by our technical department who is capable of repairing minor defects. For malfunctioning equipment that requires major examination and repair and/or the examination and repair of which requires specialised skills, we will send such malfunctioning equipment to its dealer for repairs.

Payback period

The following table sets out the estimated payback period (notes 1, 2 and 3) for major types of our new equipment procured during the Track Record Period:

Major types of our new equipment	Year ended 31 December	
	2015 <i>(Note 4)</i>	2016 <i>(Note 4)</i>
	<i>(days)</i>	<i>(days)</i>
LEDs	3.1 to 4.8	8.6 to 14.5
Projectors and other visual equipment	9.8 to 10.0	2.1 to 27.6
Control panels	13.2 to 28.1	30.2 to 30.5

BUSINESS

Notes:

1. Payback period refers to the length of time it takes for the accumulated revenue from a new equipment to cover its initial acquisition costs. When calculating the estimated payback period, our Group had taken into account procurement cost of the relevant new equipment incurred during the Track Record Period divided by the gross rental per day of such equipment based on our then general price list. The gross rental per day of the equipment does not factor any overall discount as may be given by our Group when our services are provided on a project basis by providing an entire package of audio, visual and lighting equipment rental and other services to our customers. Actual payback period may be prolonged as a result of the overall discount. As the discount was not granted in respect of any individual equipment but to the entire total contract price of the audio, visual and lighting equipment rental and other services required by our customers from us, we are unable and it is impracticable to calculate the estimated payback period on the basis of net rental price.
2. The types of equipment as may be deployed in the projects of our customers that we handled during the Track Record Period and going forward are and will continue to be in countless combination in terms of the types and number of equipment. It is not feasible for us to quantify the utilisation rate of our equipment in daily or hourly usage. Please refer to “Equipment – Equipment Utilisation Rate” in this section for further details.
3. Estimated payback periods of our new equipment for the six months, period ended 30 June 2016 and 2017, respectively, are not included in the above table as such an analysis is not meaningful without an analysis of a full year effect.
4. Estimated payback period will vary among items within the same type of equipment primarily due to the difference in models, specifications and availability in the market, and hence gross rental and procurement cost of each individual equipment.

Estimated payback periods for the various types of our new equipment to be acquired by our Group which are to be funded by the net proceeds from the Listing and are of similar specification as to the equipment purchased during the Track Record Period are expected to be comparable to those of our new equipment for the FY2015 and FY2016.

BUSINESS

Capital expenditure on new equipment for the three financial years ending 31 December 2019

As disclosed in the “Statement of Business Objectives and Use of Proceeds” in this Prospectus, as at the Latest Practicable Date, our Group intended to acquire additional AV equipment amounted to HK\$8.0 million, HK\$10.0 million and HK\$10.0 million during FY2017, FY2018 and FY2019 respectively. Funding of the procurement of the additional equipment will be summarized below:

	Latest Practicable Date up to the end of FY2017	FY2018	FY2019	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
To be funded by net proceeds				
<i>AV equipment for general application</i>	–	4.0	5.5	9.5
<i>AV equipment for Shanghai Studio</i>	2.8	6.0	–	8.8
To be funded by internal resources				
<i>AV equipment for general application</i>	1.3	–	4.5	5.8
<i>AV equipment for Shanghai Studio</i>	3.9	–	–	3.9
	<u>8.0</u>	<u>10.0</u>	<u>10.0</u>	<u>28.0</u>

SALES AND MARKETING

We received projects by way of quotations requested by our customers as well as by way of tenders during the Track Record Period. The quotation and tender price of our project is based on our estimated project costs plus a mark-up margin.

Our Directors consider that our reputation and ranking in the industry, our past project references, our technical expertise and our good relationships with customers are our strengths to explore future projects. Our executive Directors and members of our senior management are generally responsible for maintaining customers’ relationship, pitching new customers and/or seeking potential business opportunities. Our sales and project managers are responsible for the daily relationship maintenance with our customers. Our Directors consider that our existing sales and marketing efforts are sufficient to maintain relationships with existing customers and attract potential customers. Therefore, during the Track Record Period, we did not and currently have no plan to carry out any large-scale marketing activities such as massive advertisement.

BUSINESS

CUSTOMERS

In general, we enter into contracts with our customers on a project-by-project basis. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, 52%, 50% and 68% of our total revenue were generated from our Shanghai operation (i.e. AV Shanghai), which were from 24, 27 and 23 customers respectively. Contracts entered into with our customers generally cover the following principal areas or provisions:

Major areas/provisions	Description
Location and event name:	The event name and location of the project at which our works are to be carried out
Set up date:	The starting date on which we perform our works
Show date:	The date of the show on which our works are to be carried out
List of equipment:	This includes the type, specifications and quantity of equipment required
Manpower required:	This generally includes the number of technical crew members required to carry out services such as pre-show equipment installation, on-show management, standby during project execution and post-show equipment dismantling, and/or the number of audio, video and/or lighting technicians required by customers
Price and miscellaneous fee(s):	This includes the contract sum and miscellaneous fee(s) such as overnight set-up or dismantling fee and the fees for logistic arrangement of equipment
Termination:	<p>The compensation to us for cancellation after signing the contract.</p> <p>For certain contracts, if the event is cancelled after signing the contract, we will forfeit the whole deposit as compensation. For certain contracts, we will charge 50% of the total amount (or forfeit the deposit received by us) if the event is cancelled 7 days before the set up date of the event, or we will charge the full payment if the event is cancelled in less than 7 days before the set up date of the event.</p>

Note: There are generally no provisions governing the postponement of event by customers. If this occurs, we will, on a case-by-case basis, consider the circumstance, negotiate with the customer concerned and use our best endeavours to make alternative arrangements to the extent practicable and on terms acceptable to us.

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Major areas/provisions	Description
Others:	Other provision(s) which is/are customary for transaction of similar nature or unique to a particular project as we consider appropriate.

Our invoices to customers for services rendered by us are generally due upon presentation of invoices to customers. Nevertheless, during our usual and ordinary course of business, we may extend credit to our customers (which are generally recognised or creditworthy according to our assessment). During the Track Record Period, our exposure to credit risks was minimal and bad debts were not significant.

Long-term agreements

1. Long-term agreement with customer E

On 30 December 2016, customer E, a Hong Kong statutory body which promotes and develops Hong Kong's trade with offshore areas, had accepted AVP's tender to provide visual, lighting and audio solutions services for its trade shows and trade fairs scheduled for 2017 and 2018, and entered into a long term agreement with AVP, the key terms of which are set out as follows:

Scope of services	Provision of visual, lighting and audio solutions for a total of 28 trade shows and trade fairs scheduled to be held by the customer in 2017 and 2018, including the provision of visual, lighting and audio equipment, on-site installation of equipment, on-show technical support, post-show equipment dismantling and transportation services
Duration	1 January 2017 – 31 December 2018
Payment Term	The contract price for each trade show/fair scheduled for 2017 and 2018 is stipulated in the long term agreement. Upon completion of each trade show/fair, AVP shall issue an invoice on agreed contract price of the completed trade show/fair to the customer, payment of which is due upon presentation
AVP's responsibilities	(a) AVP shall upon and subject to conditions in the agreement carry out and complete the agreed scope of services in every respect to the reasonable satisfaction of the customer. (b) AVP shall at all times prevent, minimise and redeem any delay in the performance of its obligations under the agreement.

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- (c) AVP shall observe and be responsible for the safety and health, good behavior, workmanship and co-operation of all persons directly or indirectly employed, gathered, commissioned by it and shall comply with all safety requirements and codes of conduct laid down by the customer.
- (d) AVP shall at its own expense obtain an insurance policy against such liabilities as accident, injury to workmen or other persons, material or physical damage to any property associated with the reasonable execution of the agreement.

Damages for breach of contract

Damages to the customer shall include the cost of rectifying any breach, including all costs that may arise in the event of arbitration should a decision be made in the customer's favour, and any additional costs of completing the contract over the original contract sum

Termination

The customer may terminate the agreement in any of the following cases:

- (a) (i) If AVP having been given by the customer a written reminder in respect of AVP's default, shall omit to comply with the requirements of such reminder for a period of 5 days thereafter;
- (ii) if AVP shall delay or suspend the execution of the agreed scope of services that the customer will be unable to secure the completion of such services by the date for completion or has already failed to complete such services by that date;
- (iii) if AVP fails to proceed regularly and diligently with the performance of the agreed scope of services
- (b) if AVP shall pass a resolution or a petition is presented for the winding-up of AVP
- (c) if there shall be any breach of the agreement by AVP
- (d) if the date of delivery of the goods and/or the date of practical completion of the agreed scope of services as set out in the agreement shall have elapsed and there shall be insufficient or not justifiable causes of delay

BUSINESS

Other terms

AV Shanghai reserves the right to adjust the fee should there be any changes to the number of equipment actually required by Customer D at the time of the event from that was stated in the long-term agreement.

In the event that less equipment is required on site, 30% of the fee of that equipment will be charged.

In the event that extra equipment is required on site on an ad hoc basis, additional 10% of the fee of that equipment will be charged.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any early termination of contracts by our customers.

Our five largest customers

For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our Group's five largest customers accounted for approximately 57.5%, 51.2% and 57.9% of our total revenue with the largest customer account for approximately 38.8%, 29.2% and 34.7% of our total revenue, respectively. We have built and maintained solid business relationship with our five largest customers for a period from approximately 3 years to 18 years during the Track Record Period.

BUSINESS

The table below sets out our Group's top five largest customers during the Track Record Period:

For the year ended 31 December 2015

Rank	Customers	Business relationship since	Revenue recognised (HK'000)	% of total revenue	Background of customers	Scale of operations	Contractual payment/credit terms (Note)	Settlement method
1	Customer A	2007	69,766	38.8%	A company established in the PRC with the registered capital of US\$49 million which principally engages in the distribution of brand automobiles	Its products include luxury vehicles, economy and premium sedans, multi-purposes vehicles, sport utility vehicles as well as hybrid and electric vehicles.	Within 40 days after issuance of invoice	Bank transfer
2	Customer B	2014	10,002	5.6%	A company incorporated in Germany which is listed on the stock exchanges of Frankfurt and Stuttgart, and principally engages in the manufacture of premium cars	As one of the biggest producers and manufacturers of premium and commercial vehicles, Customer B sells its vehicles and services in most of the countries of the world and its production facilities are located in Europe, North and South America, Asia and Africa.	Payment will be due 14 days after delivery/ provision of the service and upon receipt of the completed delivery note or other appropriate proof of performance	Telegraphic transfer
3	Customer C	2006	9,045	5.0%	A marketing and event company established in the PRC which provides corporate image planning services and commercial solutions	Customer C is a marketing company in Asia Pacific with the headquarters in Shanghai. It has three business parts covering culture, entertainment, recreation and sport industries, delivering a wide range of services which includes fashion, premium events, art exhibitions, retail design and official fashion organisation management. In addition, Customer C has partnership with world-class event producers, technology and art providers in European countries and the U.S.	50% of contract sum to be settled before equipment is fully installed at the project venue, and the balance to be settled after completion of the project	Bank transfer

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Rank	Customers	Business relationship since	Revenue recognised (HK'000)	% of total revenue	Background of customers	Scale of operations	Contractual payment/credit terms (Note)	Settlement method
4	Customer D	2006	8,421	4.7%	A company established in the PRC which provides exhibition planning and engineering services	Customer D owns a full-scale production factory where all exhibition stand components are planned and constructed. Customer D is one of the leading companies of setting up exhibition booth, road show and showrooms with experience of exhibition construction, woodworking, surface treatment and assembly.	Within 90 days after issuance of invoice for each completed show	Bank transfer
5	Customer E	1998	6,137	3.4%	A statutory body in Hong Kong which promotes, assists and develops Hong Kong's trade with offshore areas	Customer E organises a broad spectrum of trade fairs and promotional events, networking and outreach events, and receives trade missions.	50% of total amount to be settled as down payment upon signing/verbal confirmation of the quotation, and the balance to be settled on cash on demand basis upon confirmation of order	Bank transfer
Total revenue contributed by our top five largest customers			103,371	57.5%				

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For the year ended 31 December 2016

Rank	Customers	Business relationship since	Revenue recognised (HK'000)	% of total revenue	Background of customers	Scale of operations	Contractual payment/credit terms (Note)	Settlement method
1	Customer A	2007	53,803	29.2%	A company established in the PRC with the registered capital of US\$49 million which principally engages in the distribution of brand automobiles	Its products include luxury vehicles, economy and premium sedans, multi-purposes vehicles, sport utility vehicles as well as hybrid and electric vehicles.	Within 40 days after issuance of invoice	Bank transfer
2	Customer F	2006	16,507	9.0%	Two companies (commonly-held under the same holding company) established in the PRC which principally engage in the provisions of services for architectural decoration and fitting-out works	Customer F maintains a strong, global network with subsidiaries, partners and licensed agents in more than 50 countries. Customer F has provided services in trade shows, displays, stores and museum interiors for over 20 years.	Due upon presentation of invoice	Bank transfer
3	Customer E	1998	9,612	5.2%	A statutory body in Hong Kong which promotes and develops Hong Kong's trade with offshore areas	Customer E organises a broad spectrum of trade fairs and promotional events, networking and outreach events, and receives trade missions.	50% of total amount to be settled as down payment upon signing/verbal confirmation of the quotation, and the balance to be settled on cash on demand basis upon confirmation of order	Bank transfer
4	Customer G	2003	7,576	4.1%	A listed company in Hong Kong which is a well-known wireless commercial television station in Hong Kong	Customer G provides round-the-clock entertainment channels and news service. Over the years, Customer G has developed a production pipeline which produces news, variety, travelogue and information/entertainment programmes. Besides operating a free-to-air television business, Customer G also invests in a Hong Kong pay TV operator.	50% of total amount to be settled as down payment upon signing/verbal confirmation of the quotation, and the balance to be settled on cash on demand basis upon completion of the show	Cheque

BUSINESS

Rank	Customers	Business relationship since	Revenue recognised (HK'000)	% of total revenue	Background of customers	Scale of operations	Contractual payment/credit terms (Note)	Settlement method
5	Customer B	2014	6,777	3.7%	A company incorporated in Germany which is listed on the stock exchanges of Frankfurt and Stuttgart, and principally engages in the manufacture of premium cars	As one of the biggest producers and manufacturers of premium and commercial vehicles, Customer B sells its vehicles and services in most of the countries of the world and its production facilities are located in Europe, North and South America, Asia and Africa.	Payment will be due 14 days after delivery/ provision of the service and upon receipt of the completed delivery note or other appropriate proof of performance	Telegraphic transfer
Total revenue contributed by our top five largest customers			94,275	51.2%				

Note: During the Track Record Period, we might invoice our customers beyond the credit period. In such cases, our invoices were settled by our customers upon or shortly after billing them. These customers are generally recognised or creditworthy customers and this coupled with the fact that our receivable balances were monitored by us on an ongoing basis, our Group's credit risk exposure to bad debts during the Track Record Period was not significant.

BUSINESS

For the six months ended 30 June 2017

Rank	Customers	Business relationship since	Revenue recognised (HK'000)	% of total revenue	Background of customers	Scale of operations	Contractual payment/credit terms (Note 1)	Settlement method
1	Customer A	2007	37,176	34.7%	A company established in the PRC with the registered capital of US\$49 million which principally engages in the distribution of brand automobiles	Its products include luxury vehicles, economy and premium sedans, multi-purpose vehicles, sport utility vehicles as well as hybrid and electric vehicles.	Within 40 days after issuance of invoice	Bank transfer
2	Customer H	2017	8,173	7.6%	One of the largest auto company on PRC's A share market with business covering the research, production and vehicle sales of both passenger cars and commercial vehicles	Customer H is one of the largest companies on the 2016 Fortune 500 list. Customer H is mainly engaged in the research and development, production and sales of parts for motor drive system, chassis system, interior and exterior decoration, battery, electric drive, power electronics and other new energy vehicles and the core components of the intelligent product system); auto-related services such as logistics, e-commerce, travel, energy saving and charging service; auto-related finance, insurance and investment services; overseas business and international trade; and the layout of industries of big data and artificial intelligence.	Within 25 days after issuance of invoice	Bank transfer
3	Customer F (Note 2)	2006	8,030	7.5%	Two companies (commonly-held under the same holding company) established in the PRC which principally engage in the provisions of services for architectural decoration and fitting out works	Customer F maintains a strong, global network with subsidiaries, partners and licensed agents in more than 50 countries. Customer F has provided services in trade shows, displays, stores and museum interiors for over 20 years.	Due upon presentation of invoice	Bank transfer

BUSINESS

Rank	Customers	Business relationship since	Revenue recognised (HK'000)	% of total revenue	Background of customers	Scale of operations	Contractual payment/credit terms (Note 1)	Settlement method
4	Customer I	2001	5,041	4.7%	Customer I was established in 1865 and it is a banking and financial services organisation listed on London, Hong Kong, New York, Paris and Bermuda stock exchanges	Customer I serves around 38 million customers through 4 global businesses: retail banking and wealth management, commercial banking, global banking and markets, and global private banking. Its network covers 67 countries and territories with around 3,900 offices worldwide.	Settled upon completion of the project	Bank transfer
5	Customer J	2016	3,604	3.4%	A marketing and event management company established in the PRC which provides corporate image planning services and commercial solutions	Customer J engages in the design, production, issuance of advertisements and advertising agency business, the investment management services and other relevant and agency business relating to the gaming industry, the exhibition and conferencing services, the corporate management services, sale of art commodities and the performance and brokerage businesses in the PRC.	Due upon presentation of invoice	Bank transfer

Total revenue contributed by our top five largest customers

62,024	57.9%
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Note 1: During the Track Record Period, we might invoice our customers beyond the credit period. In such cases, our invoices were settled by our customers upon or shortly after billing them. These customers are generally recognised or creditworthy customers and this coupled with the fact that our receivable balances were monitored by us on an ongoing basis, our Group's credit risk exposure to bad debts during the Track Record Period was not significant.

Note 2: Customer F includes two companies (commonly held under the same holding Company). Our Group did not enter into any transactions with one of the two companies during the six months ended 30 June 2017.

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To the best of our Directors' knowledge and belief, none of our Directors, their respective close associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period. To the best knowledge and belief of our Directors, all our Group's five largest customers during the Track Record Period are Independent Third Parties.

SUPPLIERS

Our suppliers include manufacturers and sellers of visual, lighting and/or audio equipment, equipment rental companies, logistics company and ad hoc manpower service providers. We have maintained a list of approved suppliers for the procurement of equipment, rental of equipment, provision of ad hoc manpower, provision of logistics services and other services as may be required for our operations respectively. In assessing whether to include a supplier in our Group's list of approved suppliers, our Group will consider a number of criteria, including but not limited to, the quality of its products and/or its services, its track record, its reputation in the industry, the duration of our business relationship, the experience of our cooperation, its business scale, and its pricing.

We usually purchase equipment from suppliers in our approved list and the majority of our equipment was sourced from the PRC and Hong Kong. In general, we invite suppliers in our approved list to submit quotations for providing services required for our customers' events. We consider the selection of suppliers from our approved list for each event on a case by case basis depending on, among others, the requirements of the event, the locations of the suppliers, their fee quotes and their capability of complying with the specified project requirements. With these selection criteria, we believe this could minimise the risk of procuring unsatisfactory equipment or being provided with poor service.

Our five largest suppliers

Our largest supplier accounted for approximately 12.8%, 6.8% and 8.6% of our costs for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 respectively. Our top five largest suppliers accounted for approximately 26.5%, 19.9% and 24.9% of the total costs and are all located in the PRC and Hong Kong.

BUSINESS

The table below sets out our Group's top five largest suppliers during the Track Record Period:

For the year ended 31 December 2015

Rank	Suppliers	Services/goods provided to our Group	Business relationship since	Cost (HK\$'000)	% of total cost	Background of suppliers	Contractual payment/credit terms	Settlement method
1	Supplier A	Equipment rental services and provision of technical support	2008	18,147	12.8%	A company established in the PRC which provides audio visual equipment and installation services	50% of the total contract sum to be settled before the show started and the balance to be settled within one month after we exit the project venue	Bank transfer
2	Supplier B	Supply of equipment	2013	7,884	5.6%	A company established in the PRC which provides LED screens and audio visual equipment	100% of the order value to be settled before delivery of the equipment	Bank transfer
3	Supplier C	Logistics services	2014	5,362	3.8%	A company established in the PRC which provides logistics services	Within 30 days after issuance of the invoice	Bank transfer
4	Supplier D	Equipment rental, provision of technical support and ad hoc manpower	2006	3,216	2.3%	A company incorporated in Hong Kong which provides audio visual equipment	50% of the total amount to be paid as down payment within 14 days before the show, and the balance to be settled on the first day of the show	Bank transfer/ Cheque
5	Supplier E	Provision of stage construction services	2015	2,882	2.0%	A company established in the PRC which provides services on art and cultural activities planning, corporate image planning and exhibition planning	Within 3 months from the date of signing of the service contract	Bank transfer
Total cost contributed to our top five largest suppliers				37,491	26.5%			

BUSINESS

For the year ended 31 December 2016

Rank	Suppliers	Services/goods provided to our Group	Business relationship since	Cost (HK\$'000)	% of total cost	Background of suppliers	Contractual payment/credit terms	Settlement method
1	Supplier A	Equipment rental services and provision of technical support	2008	9,574	6.8%	A company established in the PRC which provides audio visual equipment and design and installation services	50% of the total contract sum to be settled before the show started and the balance to be settled within one month after we exit the project venue	Bank transfer
2	Supplier F	Backdrop construction services	2016	5,502	3.9%	A company established in the PRC which provides exhibition services, stage design and production and equipment rental services	Not specified	Bank transfer
3	Supplier D	Equipment rental, provision of technical support, and ad hoc manpower	2006	4,549	3.2%	A company incorporated in Hong Kong which provides event planning services and audio visual equipment	50% of the total amount to be paid as down payment within 14 days before the show, and the balance to be settled on the first day of the show	Bank transfer/ Cheque
4	Supplier G	Backdrop construction services	2016	4,402	3.2%	A company established in the PRC which provides contracting, exhibition services planning and design and production services	Not specified	Bank transfer
5	Supplier C	Logistics services	2014	3,955	2.8%	A company established in the PRC which provides logistics services	Within 30 days after issuance of the invoice	Bank transfer
Total cost contributed to our top five largest suppliers				27,982	19.9%			

BUSINESS

For the six months ended 30 June 2017

Rank	Suppliers	Services/goods provided to our Group	Business relationship since	Cost (HK\$'000)	% of total cost	Background of suppliers	Contractual payment/credit terms	Settlement method
1	Supplier A	Equipment rental services and provision of technical support	2008	7,217	8.6%	A company established in the PRC which provides audio visual equipment and design and installation services	50% of the total contract sum to be settled before the show started and the balance to be settled within one month after we exit the project venue	Bank transfer
2	Supplier G	Backdrop construction services	2016	4,329	5.2%	A company established in the PRC which provides contracting, exhibition services planning and design and production services	Not specified	Bank transfer
3	Supplier C	Logistics services	2014	3,389	4.1%	A company established in the PRC which provides logistics services	Within 30 days after issuance of the invoice	Bank transfer
4	Supplier F	Backdrop construction services	2016	2,995	3.6%	A company established in the PRC which provides exhibition services, stage design and production and equipment rental services	Not specified	Bank transfer
5	Supplier B	Supply of equipment	2013	2,860	3.4%	A company established in the PRC which provides LED screens and audio visual equipment	100% of the order value to be settled before delivery of the equipment	Bank transfer
Total cost contributed to our top five largest suppliers				20,790	24.9%			

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To the best of our Directors' knowledge and belief, none of our Directors, their respective close associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

To the best knowledge and belief of our Directors, all our Group's five largest suppliers during the Track Record Period are Independent Third Parties.

We do not have long-term contracts with any of our suppliers. We enter our contracts with our suppliers on an order-by-order basis. The price is determined by reference to the market price of comparable products or services at the time. We may be able to successfully pass the price difference to our customer if there is any significant price fluctuation after we submit our tender document or quotation to our customers as adjustments could be made.

Payments to our suppliers for services rendered by them are generally due on demand. Nevertheless, during our usual and ordinary course of business, our suppliers generally extend credit to us for up to 6 months or more from the invoice date.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant shortage nor delay in delivery of goods/services by our suppliers, causing material disruption to our operations and performance. Therefore, our Directors consider that we do not overly rely on any of our suppliers and we are able to engage alternative suppliers if necessary.

ENTITIES WHICH ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, one of our major customers was also our supplier. For the year ended 31 December 2016, our services provided to this entity accounted for 2.6% of our total revenue and the costs incurred in our provision of services to this entity accounted for 2.1% of our total cost of sales. For the same period, our purchase from this entity accounted for 2.0% of our total cost of sales. Gross profit from the provision of services to this entity for the years ended 31 December 2016 was HK\$1.7 million and the gross profit margin was 37.0%. For the year ended 31 December 2015, the same major customer of our Group had no transactions with us as our supplier.

To the best knowledge and belief of our Directors, this entity and its ultimate beneficial owners are Independent Third Parties. We request backdrop service from this entity when our customers require backdrop service, and we will provide our services to this entity when its customers require our visual, lighting and audio solutions services.

To the best knowledge and belief of our Directors, two of our major suppliers were also our customers for the year ended 31 December 2015 and one of our major suppliers was also our customer for the year ended 31 December 2016. For the years ended 31 December 2015 and 2016, the services provided from these entities to our Group accounted for 15.1% and 3.2% of our total cost of sales respectively. For the same period, our services provided to these entities accounted for 0.2% and 0.1% of our total revenue respectively.

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Gross profit from the provision of services to these entities for the years ended 31 December 2015 and 2016 was HK\$0.1 million and HK\$0.1 million respectively and the gross profit margin was 32.3% and 30.1% respectively.

For the six months ended 30 June 2017, our Group did not enter into any transactions with our major customers which were also our major suppliers of our Group.

To the best knowledge and belief of our Directors, these entities and their ultimate beneficial owners are Independent Third Parties. These entities provide equipment rental services. Our Directors believe that it is not uncommon for the equipment rental services provider to request our services to satisfy their customers' needs.

QUALITY CONTROL

We conduct quality control to maintain the quality of the equipment utilised in our solutions offered to our customers, and to help ensure that our visual, lighting and audio solutions are of high quality.

We purchase equipment and spare parts from selected reputable suppliers. We select our suppliers based on stringent criteria including equipment quality and their reputation in the industry. For further information on our supplier selection criteria, please see the sub-section "Suppliers" above. We conduct inspection and relevant testing on the incoming equipment to ensure that the equipment is in satisfactory condition and fully functional before we accept delivery from the suppliers. Before delivery of our services to our customers, we will also perform inspection on our equipment as part of our quality control measures to ensure that the equipment is fully operational. Our technicians will also carry out on-going quality control measures such as regular inspection.

Where the equipment is rented from our suppliers, we maintain and regularly review our list of suppliers to ensure we will procure high quality equipment and be provided with high quality services. Mr. HP Wong, our executive Director, is responsible for overseeing the quality of the equipment provided by our suppliers in the PRC to ensure they are fit for purpose in our projects. We will also inspect the equipment upon delivery from our suppliers to us and before project execution, and request for replacement if the equipment provided to us is defective or not up to standard.

Furthermore, we provide training to our staff to ensure proper operation of the equipment. We will also carry out testing and participate in our customers' event rehearsals to ensure the execution of the project can be done properly and smoothly. Additional quantities of some of the equipment will be arranged as a backup to ensure we can cope with occurrence of any unpredictable situations such as abrupt on-site technical problems. When the project is completed, we will review job performance with our technicians and marketing team.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints about the quality of our visual, lighting and audio solutions.

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INSURANCE

For our PRC operations, we have made contributions to our employees' social security insurance in the PRC as is required by the relevant national and local labour and social welfare laws and regulations.

For our Hong Kong operations, we participated in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We also maintain (i) insurance for employees' compensation insurance policy, covering the liability to make any payment in respect of the death, injury or disability of our employees under relevant employment laws in Hong Kong, (ii) public liability insurance policy covering us against our liability for third-party bodily injury and/or property damage in the event of accidents which occurred due to the negligence of us and our employees in the provision of our services including but not limited to supply, installation, dismantling, loading and unloading of our equipment and accessories, (iii) property all risk insurance and business interruption insurance policy covering physical loss or damage of our equipment and accessories, office content and additional expenditure incurred resulting from business interruption as a result of loss of or damage to property insured, and (iv) commercial vehicle insurance policy on our lorries used for logistical arrangement covering us against third-party legal liabilities.

In Macau, all our local staff are registered with and duly covered by the statutory Social Security Fund. We also generally maintain employees' compensation insurance covering employers' liability for working accidents and professional illnesses.

We consider that our insurance coverage is adequate for our operations and is in line with industry practice in the PRC, Hong Kong and Macau. Depending on the circumstances and the nature of the specific functions and events, and if requested by our customers, we will determine on a case by case basis on the need to obtain different insurance coverage. Please refer to "Risk Factors – Risk related to our Business Operations and our Industry – Our insurance coverage may not be sufficient to cover all risks involved in our business operations" in this prospectus.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

RESEARCH AND DEVELOPMENT

During the Track Record Period, our Group had not engaged in any research and development activity nor incurred any research and development expenses.

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HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims for property damages or personal injuries by our employees under the employees' compensation insurance policies. We were not involved in accidents that resulted in material injuries or fatality in the course of our operation, and no prosecution has been laid against us by any relevant authorities in respect of violation of applicable laws or health and safety.

We are not subject to any significant environmental regulations. We do not currently have any environmental liabilities and do not expect to incur any environmental liabilities that could have any material impact on our financial condition or business operations in the future.



Our administration department is responsible for recording and handling employment compensation insurance claims in relation to accidents at work.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we were the registrant of the following domains:

Domain name	Name of registrant	Registration date	Expiry
avpromotions.com.hk	AV Promotions Limited	23 October 2000	26 April 2019
avpromotions.com	AV Promotions Limited	24 June 1997	23 June 2026
avpromotions.com.mo	AVP (Macao) Limited	27 July 2007	27 July 2020

As at the Latest Practicable Date, we had registered the following trademark (in both (i) colour and (ii) black and white versions):

Trade mark	Trademark number	Class	Date of registration	Expiry date	Registered owner	Place of registration
	304071483	41	9 March 2017	8 March 2027	AV Promotions (BVI) Limited	Hong Kong
	304071483	41	9 March 2017	8 March 2027	AV Promotions (BVI) Limited	Hong Kong

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During the Track Record Period, we were not involved in any proceedings in respect of, nor had we received notice of any claim for, the infringement of intellectual property rights that had any material adverse impact on our business and results of operation. Our Directors also confirmed that, as at the Latest Practicable Date, they are not aware of (i) any actual or potential infringement of our intellectual property rights that would constitute material adverse impact on our operations, or (ii) any pending or threatened claim against our Group for infringement of any intellectual property rights owned by any third party.

EMPLOYEES

We had a total of 227, 197 and 196 employees as at 31 December 2015 and 2016 and 30 June 2017 respectively. As at the Latest Practicable Date, we had 200 full-time employees who were directly employed by our Group. A breakdown of our employees by function and geographical region as at the Latest Practicable Date is set out below:

	The PRC	Macau	Hong Kong	Total
Senior management	2	0	4	6
Technical	86	5	52	143
Sales and marketing	18	1	4	23
Administrative and Finance	19	1	8	28
	<u>125</u>	<u>7</u>	<u>68</u>	<u>200</u>

Relationships with staff

Our Directors believe that we maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our Group's employees.

Recruitment policies

We generally recruit our employees from the open market through placing recruitment advertisement.

We endeavor to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

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Training and remuneration policy

We entered into separate employment contracts with each of our employees in accordance with the applicable employment laws of the PRC, Hong Kong and Macau. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine remuneration of our employees based on a number of factors including the duties, performance, contributions, experience, position and seniority. We provide various types of trainings to our employees and regular on job trainings depending on his/her role.

For the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the remuneration payable to our employees including, salaries, contributions to retirement benefit scheme and other benefits were approximately HK\$48.2 million, HK\$53.8 million and HK\$27.2 million respectively.

Our Company has conditionally adopted the Share Option Scheme in which certain eligible persons may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will facilitate our recruitment and retention of quality employees. A summary of the principal terms of the Share Option Scheme is set out in paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our business operations:

Leased properties in the PRC

As at the Latest Practicable Date, we leased 4 properties in Guangzhou and Shanghai in the PRC. The following table sets out a summary of the properties.

No.	Address	Landlord	Use of the property	Approximate gross floor area	Key terms of the lease
Shanghai					
1.	中國上海市青浦區涇港路181號506,507室 (Rooms 506-507, No. 181 Laigang Road, Qingpu District, Shanghai, the PRC*)	An Independent Third Party	Office	358.8 sq.m.	Monthly rental of RMB49,116.2 for a term from 1 March 2015 to 28 February 2021
2.	中國上海市九亭高科技園區新寅路1129弄225號 (No. 225, 1129 Avenue, Xin Yin Road, Jiu Ting Hi-tech Science Park, Shanghai, the PRC*)	An Independent Third Party	Equipment testing	4,700.0 sq.m.	Annual rental of RMB943,500 for a term from 1 April 2009 to 1 April 2024

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No.	Address	Landlord	Use of the property	Approximate gross floor area	Key terms of the lease
3.	中國上海市松江九亭鎮坊東路158號 (No. 158 Fang Dong Road, Jiu Ting Fang, Song Gang, Shanghai, the PRC*)	An Independent Third Party	Storage	675.0 sq.m.	Annual rental of RMB320,000 for a term from 1 September 2016 to 31 July 2019
Guangzhou					
4.	中國廣州市荔灣區信義路24號4幢自編318房 (No. 24 318, Block 4, No. 24 Xinyi Road, Li Wan Qu, Guangzhou, the PRC*)	An Independent Third Party	Office	239.9 sq.m.	Monthly rental of RMB9,596 for a term from 18 December 2016 to 17 December 2017

* For identification purpose only

As at the Latest Practicable Date, the lessor of our Group's leased property No. 1 above has yet to obtain the property ownership certificate* (房地產權證書) in respect of the leased property concerned. As advised by our PRC Legal Advisers, since this lessor has obtained the Engineering Construction Planning Permit* (《建設工程規劃許可證》) issued by the Shanghai Planning and State-owned Land and Resources Management Bureau* (上海市規劃和國土資源管理局) and the Engineering Construction Completion and Acceptance Registration Certificate* (建設工程竣工驗收備案證書) issued by the Shanghai Construction Management Office* (上海市建築業管理辦公室), the lessor's failure to obtain the property ownership certificate* (房地產權證書) will not invalidate the lease agreement entered into between the lessor and our Group under the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings* (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), and will not result in any administrative penalties against our Group as lessee.

Furthermore, according to the relevant regulations under the Land Administration Law, the Urban Real Estate Administration Law and the Property Rights Law, each property in the PRC should be used in accordance with the permitted use stated in the property ownership certificate* (房地產權證書) in respect of it, unless prior approval for any use other than the permitted use is obtained from the relevant land and planning administration department* (土地和規劃主管部門). As advised by our PRC Legal Advisers, the current use of each of our Group's leased properties No. 1 and No. 2 above is not consistent with the permitted land use stated in their corresponding property ownership certificates* (房地產權證書). For more details, please refer to the 1st non-compliance incident disclosed in "Legal and Compliance Matters – Summary of non-compliances" in this section.

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Leased property in Hong Kong

As at the Latest Practicable Date, we leased 1 property in Hong Kong. The following table sets out a summary of the property.

No.	Address	Landlord	Use of the property	Approximate gross floor area	Key terms of the lease
1.	1st and 6th Floor, Leader Centre, 37 Wong Chuk Hang Road, Hong Kong	An Independent Third Party	Workshop	1,327.0 sq.m. (1st Floor: 780.0 sq.m., 6th Floor: 547.0 sq.m.)	Monthly rental of HK\$154,224 with tenancy from 1 May 2016 to 30 April 2018

Leased properties in Macau

As at the Latest Practicable Date, we leased 2 properties in Macau. The following table sets out a summary of the properties.

No.	Address	Landlord	Use of the property	Approximate gross floor area	Key terms of the lease
1.	澳門慕拉士大馬路149號激成工業中心第1期12樓G座 (12th Floor G, Keck Seng Industrial Building, Phase I, No. 149 Avenida Venceslau de Morais, Macau*)	An Independent Third Party	Storage	222.6 sq.m.	Monthly rental of HK\$25,000 for a term from 26 June 2016 to 25 June 2019
2.	澳門圓台街8號海洋工業中心第1期6樓G座 (6th Floor G, Oceano Industrial Building, Phase 1, No. 8 Rua da Doca dos Holandeses, Macau*)	An Independent Third Party	Storage	130 sq.m.	Monthly rental of HK\$10,000 for a term from 6 June 2016 to 5 June 2018

SEASONALITY

According to the Euromonitor Report, (i) demand for visual, lighting and audio solutions services peak in April, September and November in the PRC, when car exhibitions, for example, are typically held; (ii) demand for visual, lighting and audio solutions services in Hong Kong peak in the second half of the year, from August through to January, with more exhibitions, forums and events held during this period; and (iii) peaks in demand for visual, lighting and audio solutions services for MICE and business-related events are typically observed in April and September in Macau.

LEGAL AND COMPLIANCE MATTERS

Summary of non-compliances

Our Directors confirm that save for certain incidents of non-compliance disclosed below, we complied with all applicable laws and regulations in the PRC, Hong Kong and Macau in all material respects during the Track Record Period and up to the Latest Practicable Date.

Events of non-compliance	Reason for non-compliance	Legal consequences-potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
<p>1. As at the Latest Practicable Date, in respect of three out of the four properties in the PRC leased to our PRC subsidiaries:</p> <p>(a) the lessors of three of the properties in Shanghai (for details, please refer to No. 1 to No. 3 of the leased properties in “Properties – Leased Properties in the PRC” in this section) did not complete the registration of lease agreements with the relevant municipal land and real estate administration department in the PRC; and</p>	<p>(a) Since the original property ownership certificate* (房地產權證書) is required for completing the corresponding lease registrations, but (i) the lessor of one of the three properties has yet to obtain the property ownership certificate* (房地產權證書) in respect of it; and (ii) the original property ownership certificate* (房地產權證書) of the remaining two properties have been kept at the bank(s) to which such properties were mortgaged, the lessors of the three properties were unable to deal with our request to complete the registration of the corresponding lease agreements with the relevant municipal land and real estate administration department in the PRC; and</p>	<p>As advised by our PRC Legal Advisers:</p> <p>(a) non-registration of such lease agreements in respect of the three properties concerned will not affect their legality and validity but the lessors and we as lessee could be liable to a fine ranging from RMB1,000 to RMB10,000 in respect of each lease agreement that is not registered in case we fail to effect registration of the lease agreements upon request by the relevant municipal land and real estate administration department. As at the Latest Practicable Date, no fine had been imposed by the relevant government authorities and as the penalty is immaterial and will be indemnified by our Controlling Shareholders, our Directors do not foresee any material adverse operational and financial impact on our Group; and</p>	<p>(a) In respect of the two properties of which the property ownership certificates* (房地產權證書) are kept at the bank(s), each of their lessors has provided us with a written confirmation that it will arrange to complete the corresponding lease registration in a timely manner after it has obtained the original property ownership certificate* (房地產權證書). We will follow up on the status of the completion of lease registrations with the three relevant lessors from time to time to help procure the timely completion of lease registrations after the relevant lessors have obtained the original property ownership certificate; and</p>	<p><i>For both non-compliance 1(a) and 1(b)</i></p> <p><i>Our Group has implemented the following internal control measures in relation to entering into any new lease agreements commencing from April 2017:</i></p> <p><i>A written guideline has been prescribed for our staff to adhere to in negotiating the terms of any new lease agreements that we consider entering into, and in handling relevant administrative arrangements prior to entering into such new lease agreements in the PRC. Pursuant to the relevant guideline, the relevant staff will have to (a) obtain the lessor’s consent to register the relevant lease with the relevant municipal land and real estate administration department in the PRC on a timely manner; and (b) seek PRC legal advice on the permitted use of the property concerned and ensure that our intended use of the property concerned is consistent with its permitted use, before we enter into any new lease agreement.</i></p> <p><i>The head of our administration department in the PRC will (a) monitor the registration process and ensure the registration has been duly completed by the lessor; and (b) ensure that PRC legal advice on the permitted use of properties to be leased to us has been obtained before we enter into any new lease agreements, and monitor the use of our leased properties in accordance with the permitted use as advised by our PRC Legal Advisers.</i></p>

BUSINESS

Events of non-compliance	Reason for non-compliance	Legal consequences-potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
<p>(b) the current use of two of the properties in Shanghai (for details, please refer to No. 1 and No. 2 of the leased properties in “Properties – Leased Properties in the PRC” in this section) were inconsistent with the permitted use stated in the relevant property ownership certificate* (房地產權證書).</p>	<p>(b) (i) the lessors of the two properties concerned failed to obtain prior approvals from the relevant land and planning administration department* (土地和規劃主管部門) to deviate the use of such properties from the permitted use; and (ii) the relevant staff of our administration department in the PRC did not fully understand the relevant PRC legal requirements on the permitted use of properties.</p>	<p>(b) deviation in use of the leased properties from their permitted uses will not result in administrative penalties against our Group, but there remains a potential risk that our Group may be requested by the relevant government authorities to cease using such leased properties and relocate. As at the Latest Practicable Date, we had received no notice or order from the relevant government authorities requiring us to vacate the two properties concerned. Even if we are required to relocate from the two properties, we do not anticipate any material difficulties in the relocation or identification of alternative premises. Our Controlling Shareholders have agreed to indemnify us for all expenses and losses as may be incurred by us in vacating the two properties concerned and relocating to alternative properties upon our receipt of any orders/notices from the relevant government authorities requiring us to do so. Thus our Directors do not foresee any material adverse operational and financial impact on our Group.</p>	<p>(b) as advised by our PRC Legal Advisers, the relevant PRC government authorities in Shanghai are more flexible and open to the regulations relating to the permitted use of land and properties, which are in line with the general policy orientation to further release land resources and enhance the occupancy rate of land and properties. Enquiries were made by our PRC Legal Advisers with the relevant PRC competent government authority, which confirmed that although there had been inconsistent use of leased properties with the permitted use as stated in the relevant property ownership certificate* (房地產權證書), the relevant government authority would not impose administrative penalty on the lessee. Also, as at the Latest Practicable Date, AV Shanghai had not received any request by the lessor or the relevant government authority to relocate from the leased properties. In view of such, the risk that our Group may be requested by the relevant PRC government authorities to cease using such leased properties and relocate is remote. Nonetheless, our administration department in the PRC will gather market information from time to time on alternative properties for lease in similar locations in Shanghai.</p> <p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses as may be incurred by us as a result of any non-compliance incident in relation to (a) the registrations of lease agreements and (b) the deviation in use of the leased properties from their permitted uses.</p>	<p>Our Board and the head of our administration department will continuously conduct reviews of the above internal control measures on a quarterly basis or whenever it is necessary.</p>

BUSINESS

Events of non-compliance	Reason for non-compliance	Legal consequences- potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
2. AV Beijing Yuanfang did not register with the relevant social insurance authority and the relevant local housing fund management centre in respect of social security and housing provident fund since its establishment on 3 March 2015.	The relevant staff of our administration department did not fully understand the relevant PRC legal requirements on social security and housing provident fund registrations, due to the inconsistency in implementation or interpretation of the relevant PRC laws and regulations among government authorities in the PRC.	<p>A fine of up to RMB50,000 for non-registration.</p> <p>As at the Latest Practicable Date, no fine has been imposed by relevant government authorities and as the penalty is immaterial and will be indemnified by our Controlling Shareholders, our Directors do not foresee any material operational and financial impact.</p>	<p>AV Beijing Yuanfang did not commence any business operation and did not employ any staff since its establishment. It was deregistered on 19 May 2017.</p> <p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of any non-compliance incident with the relevant social security and housing provident fund.</p>	<p>Prior to incorporating any new subsidiary in any jurisdiction, our administration department will seek legal advice from legal advisers of such jurisdiction on the relevant filing and procedures required to incorporate the new subsidiary and the statutorily prescribed timeframe within which such filings and procedures should be completed, as well as the follow-up registrations and filings required subsequent to its incorporation. Our senior management will monitor the incorporation process and ensure all follow-up registrations and filings have been duly completed.</p> <p>Our Board and the head of our administration department will continuously conduct reviews of the above internal control measures on a quarterly basis or whenever it is necessary.</p>

BUSINESS

Events of non-compliance	Reason for non-compliance	Legal consequences-potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
3. AV Shanghai failed to apply for employment permits for 18 non-PRC resident employees during the Track Record Period.	The relevant staff of our administration department did not fully understand the relevant PRC legal requirements on applications for PRC employment permits, due to the inconsistency in implementation or interpretation of the relevant PRC laws and regulations among government authorities in the PRC.	<p>A fine of RMB1,000 for failure to apply employment permit for each Hong Kong employees, and a fine of up to RMB50,000 for failure to apply employment permit for each foreign employees.</p> <p>As at the Latest Practicable Date, no fine has been imposed by relevant government authorities and as the penalty is immaterial and will be indemnified by our Controlling Shareholders, our Directors do not foresee any material operational and financial impact.</p>	Save for one of the non-PRC resident employees who resigned and one of the non-PRC resident employees who reached the retirement age, AV Shanghai has applied the employment permit for each of the remaining 16 non-PRC resident employees.	<p>A recruitment guideline has been provided to the relevant staff of the administration department in handling the PRC recruitment, which includes, among other things, the requirement and procedures on the application for necessary work permit for the recruitment of non-PRC resident staff in the PRC in accordance with the relevant PRC laws and regulations. The employment contract to be entered into between our Group and any non-PRC resident staff to perform work in the PRC shall only take effect upon the issuance of the required PRC work permit to the non-PRC resident staff. Our administration department in the PRC should check that the forms required for the application of the work permit of the non-PRC resident staff have been duly completed and filed with the relevant authorities. No newly recruited non-PRC resident staff will be allowed to report duty prior to the issuance of work permit.</p> <p>Our Board and the head of our administration department will continuously conduct reviews of the above internal control measures on a quarterly basis or whenever it is necessary.</p>

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Events of non-compliance	Reason for non-compliance	Legal consequences- potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
4. AVP did not file the notification of resignation of auditors with the Hong Kong Companies Registry in 1994, 2011 and 2016.	The relevant staff of our administration and account department were unfamiliar with the relevant requirements under the Companies Ordinance.	<p>Under the Twelfth Schedule of the predecessor Companies Ordinance, the maximum penalty for non-compliance of Section 140A of the Predecessor Companies Ordinance is HK\$150,000 and 2 years' imprisonment for an indictable offence, or the maximum penalty of HK\$50,000 and 6 months' imprisonment for a summary offence for each offence. As advised by our Legal Counsel, it is highly unlikely that any prosecution will be on indictment for those regulatory offences.</p> <p>Under section 417 of the Companies Ordinance, the company and every responsible person each is liable to a maximum principal fine of HK\$50,000 and to imprisonment for 6 months for each offence, and in the case of each continuing offence, to a further fine of HK\$1,000 for each day during which the offence continues. As advised by our Legal Counsel, it is a summary offence so it can only be prosecuted summarily.</p> <p>As at the Latest Practicable Date, no fine has been imposed by relevant government authorities and as the penalty is immaterial and will be indemnified by our Controlling Shareholders, our Directors do not foresee any material operational and financial impact.</p>	Our Group has made all necessary filings afterwards.	<p>Our Company will retain a law firm as its Hong Kong legal advisers upon Listing to advise our Group on matters regarding compliance with relevant filing requirements under the Companies Ordinance so as to prevent any non-filing or late filing to the Hong Kong Companies Registry. Our Directors will monitor the administration department to ensure the relevant filings are filed within the statutorily prescribed timeframes as advise by the retained law firm.</p> <p>Our Board will continuously conduct reviews of the above internal control measures on a quarterly basis or whenever it is necessary.</p>

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Events of non-compliance	Reason for non-compliance	Legal consequences- potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
<p>5. AVP failed to give Notification by an employer of an employee who is about to cease to be employed (also known as Form 56F) to the Commissioner of Inland Revenue not later than one month before ceasing to employ an individual on 12 occasions in contravention of section 52(5) of the Inland Revenue Ordinance.</p>	<p>The non-compliance was due to inadvertent oversight by the relevant staff of our administration department who were responsible for employment issues, and were not made aware of the relevant requirements under the Inland Revenue Ordinance in relation to the filing of Form 56F</p>	<p>Under section 80 of the Inland Revenue Ordinance, any person who without reasonable excuse fails to comply with section 52(5) of the Inland Revenue Ordinance for the filing of the Form 56F shall be guilty of an offence and the maximum penalty for each offence is HK\$10,000. As advised by our Legal Counsel, given the nature of the offence and no warning or other enforcement actions have ever been taken by the Inland Revenue Department for the late filing in previous occasion herein, the chance of imposition of penalty is remote.</p> <p>As at the Latest Practicable Date, no fine has been imposed by relevant government authorities and as the penalty is immaterial and will be indemnified by our Controlling Shareholders, our Directors do not foresee any material operational and finance impact</p>	<p>AVP had subsequently filed all Form 56F as required under the Inland Revenue Ordinance</p>	<p>The general manager at the relevant time will be responsible to monitor the filing of the Form 56F within the statutorily required timeframe.</p> <p>Our Board will continuously conduct reviews of the above internal control measures on a quarterly basis or whenever it is necessary.</p>

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Events of non-compliance	Reason for non-compliance	Legal consequences- potential maximum penalty and potential operational and financial impact	Current status and remedies and remedial action(s) taken	Internal control measures to prevent any future breaches and ensure ongoing compliance
6. The employment contracts of employees of AVP Macao did not include certain statutorily required terms and contain certain terms that are inconsistent with the relevant provisions of the Macau employment law.	The relevant staff of our administration department were unfamiliar with the relevant Macau laws and regulations.	<p>Breach of the statutory references in the contract is an administrative breach punishable with a fine of MOP 500 – 1,000 for each contract/ employee. (Section 32, no. 4 of Law 21/2009 – on non-resident work in Macau.)</p> <p>Not including the term in the contract is punishable with a fine of MOP 1,000 – 5,000 for each contract (Section 88, no. 2, item 2 of the Law 7/2008).</p> <p>As at the Latest Practicable Date, no fine has been imposed by relevant government authorities and as the penalty is immaterial and will be indemnified by our Controlling Shareholders, our Directors do not foresee any material operational and financial impact.</p>	Employment contracts were revised to include all the statutory references and executed by AVP Macao with its employees.	<p>Our Company will retain external Macau legal advisers to advise our Group on the latest developments of and amendments to the Macau employment laws for our management’s consideration in determining human resources policies and terms of the employment contracts concerning our Macau employees, and to assist our Group in ensuring the legal compliance of the employment contracts of our Macau employees.</p> <p>Future employment contracts to be entered into by our Group will be reviewed by the Macau legal advisers prior to execution.</p> <p>Our Board will continuously conduct reviews of the above internal control measures on a quarterly basis or whenever it is necessary.</p>

Indemnity given by our Controlling Shareholders

In relation to the aforesaid, our Controlling Shareholders have undertaken to indemnify and keep our Group indemnified against all losses and liabilities arising from any non-compliance of our Group with the applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional. Please refer to “Statutory and General Information – E. Other Information – 1. Tax and other Indemnities” in Appendix IV to this prospectus for details.

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View of our Directors and the Sole Sponsor

Our Directors are of the view that the non-compliance incidents will not have any material adverse impact on our Group's business operations and financial position having considered that the maximum penalty is immaterial and any penalty and/or expenses and losses as may be incurred by us in implementing the necessary remedial actions (as the case may be) will be indemnified by our Controlling Shareholders.

Having considered that:

1. each of the non-compliance incident, details of which are set out in "Legal and Compliance Matters – Summary of non-compliances" of this section, was unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors;
2. our Group has carried out remedial actions and fully rectified the non-compliance incidents that could be rectified; and
3. our Group has implemented and will continue to implement the appropriate measures to avoid recurrence of the non-compliance incident and will engage an external legal adviser for ensuring strict compliance with the relevant laws and regulations,

our Directors confirm, and the Sole Sponsor concurs, that the aforementioned non-compliance incident would not affect the suitability of our executive Directors under Rule 5.01 and Rule 5.02 or our Company's suitability for Listing under Rule 11.06 of the GEM Listing Rules.

LITIGATION AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors as pending or threatened against any member of our Group.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control and risk management systems and reviewing their effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining our internal control and risk management systems, covering areas such as corporate governance, risk assessment, compliance matters, safety procedures, quality control and financial reporting. We believe that our internal control and risk management systems are sufficient in terms of comprehensiveness, practicability and effectiveness.

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To strengthen our internal control and risk management systems, ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, and avoid recurrence of the past non-compliance incidents disclosed in “Summary of non-compliances” in this section, apart from the specific internal controls measures adopted and as stated in “Summary of non-compliances” in this section, we have also adopted the following additional measures:

- (i) our Board will continuously monitor, evaluate and review our internal control and risk management systems on a quarterly basis or whenever it is necessary to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control and risk management systems as appropriate;
- (ii) Mr. Wong Wah, our financial controller and company secretary, will be responsible for overseeing our internal control and risk management systems in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Wong Wah will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For the qualifications and experience of Mr. Wong Wah, see “Directors, Senior Management and Employees” in this prospectus;
- (iii) we have appointed Halcyon Capital Limited as our compliance adviser upon Listing to advise us on matters relating to compliance with the GEM Listing Rules;
- (iv) we will appoint external Hong Kong legal advisers upon Listing to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations;
- (v) we will appoint external PRC and Macau legal advisers to advise us on matters relating to compliance with the applicable laws and regulations of each of the jurisdictions;
- (vi) we will continue to identify and assess our operational, business and financial risks on an on-going basis, implement sufficient measures to minimise and mitigate such risks, and ensure that all such measures remain effective; and
- (vii) if necessary, we may arrange our Directors, members of senior management and relevant employees to attend training on the legal and regulatory requirements applicable to our business operations from time to time.

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Our Directors are of the view that we have taken all reasonable steps to establish proper internal control and risk management systems to minimise risks of non-compliance and prevent future recurrence of the non-compliance incidents disclosed in “Legal and Compliance Matter – Summary of non-compliances” in this section. Our Directors and the Sole Sponsor are of the view that the enhanced internal control and risk management measures adopted by us are adequate and effective.

LICENCES, PERMITS AND APPROVALS

There is no specific licensing requirement for conducting our Group’s business in the jurisdiction which our revenue was principally derived during the Track Record Period, namely the PRC, Hong Kong and Macau, in addition to what is generally required for carrying on business including business registration certificate in such jurisdiction. Some of our employees in the PRC possess licences for working at height and some of our employees in Hong Kong possess Construction Industry Safety Training Certificates. As at the Latest Practicable Date, our Directors are not aware of any circumstances that may result in any material difficulties in renewing such licences, permits and certificates as are generally required.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board of Directors currently consists of eight Directors comprising four executive Directors and four independent non-executive Directors. The table below sets forth certain information in respect of the members of the Board of Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Executive Directors						
Mr. Wong Man Por (黃文波)	60	Chairman and Executive Director	May 1991	23 February 2017	Setting the strategic goals, vision and direction and monitoring and evaluating the business of our Group	Elder brother of Mr. HP Wong and Mr. CB Wong Brother-in-law of Ms. Yau Lai Ling
Mr. Wong Hon Po (黃漢波)	52	Executive Director	May 1991	23 February 2017	Overseeing the day-to-day business and operations of our Shanghai and Guangzhou offices to deliver tailor- made services to our customers	Younger brother of Mr. MP Wong and elder brother of Mr. CB Wong Brother-in-law of Ms. Yau Lai Ling
Mr. Wong Chi Bor (黃志波)	50	Executive Director	May 1991	23 February 2017	Overseeing the day-to-day business and operations of our Hong Kong and Macau offices to deliver tailor-made services to the customers of our Group	Younger brother of Mr. MP Wong and Mr. HP Wong Spouse of Ms. Yau Lai Ling
Ms. Fu Bun Bun (傅彬彬)	43	Chief Executive Officer and Executive Director	March 1997	1 December 2017	Formulating and implementing our Group's marketing strategies and providing training to staff members of our sales and marketing team	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Independent Non-executive Directors						
Mr. Chow Chun To (鄒振濤)	34	Independent non-executive Director	1 December 2017	1 December 2017	Supervising and providing independent judgement to our Board	None
Mr. Chen Yeung Tak (陳仰德)	33	Independent non-executive Director	1 December 2017	1 December 2017	Supervising and providing independent judgement to our Board	None
Mr. Cheung Wai Lun Jacky (張偉倫)	44	Independent non-executive Director	1 December 2017	1 December 2017	Supervising and providing independent judgement to our Board	None
Mr. Chan Wing Kee (陳榮基)	59	Independent non-executive Director	1 December 2017	1 December 2017	Supervising and providing independent judgement to our Board	None

Executive Directors

Mr. Wong Man Por (黃文波), aged 60, is the chairman and 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. 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 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 Company 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 the PRC, Hong Kong and Macau. He is also the director of AV Shanghai and AVP Macao, subsidiaries of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. MP Wong was previously a director, chairman or legal representative of the companies shown in the table below before their respective deregistration and/or revocation of business licence:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before deregistration and/or revocation of business licence	Position	Status	Date of deregistration and/or revocation of business licence
Shanghai Audio	The PRC	Design and installation of lighting and audio systems <i>(Notes 1, 2 & 4)</i>	Legal representative and director	Deregistered	6 February 2017
成都愛維視聽展示會議製作有限公司 (Chengdu Aiwei Shiting Zhanshi Huiyi Zhizuo Company Limited*)	The PRC	Design of lighting and audio systems, and decoration of exhibition venue <i>(Notes 3 & 4)</i>	Legal representative and director	Business licence revoked	29 December 2012
AV EXHIBITION SERVICES LIMITED (科技博覽服務有限公司)	Hong Kong	Exhibition service	Director	Dissolved by deregistered	30 August 2002
AV PROMOTION SDN BHD	Malaysia	Rental of lighting equipment and equipment for receptions and for events	Director and shareholder	Dissolved by not carrying on business or not in operation since 3 May 1996	5 February 2008
AV Promotions (Singapore) Pte. Ltd.	Singapore	Dealers in audio visual equipment and in event/ concert organising services	Director	Struck off	15 August 2014
VADS International Pte. Ltd.	Singapore	Wholesale and trading of audio and video equipment	Director and shareholder	Struck off	3 November 2011
DET (V) Pte. Ltd.	Singapore	Trading of service of audio and video equipment	Director and shareholder	Struck off	12 September 2014

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Note:

- (1) Mr. MP Wong confirmed that Shanghai Audio had remained inactive without any operation since its establishment in June 2000 and up to the revocation of its business licence in 2001 and its deregistration in February 2017, respectively.
- (2) Shanghai Audio was deregistered on 6 February 2017 due to failure to conduct annual inspection within stipulated time frame. Shanghai Audio was established as a joint equity enterprise with AVP and Shanghai Aiwei as the joint equity partners. Since Shanghai Audio's establishment, the discussion between AVP and Shanghai Aiwei regarding their actual cooperation arrangement had been lack of progress and was finally put on halt as AVP could proceed with the business alone without having in the form of a joint equity enterprise. As a result, AVP and Shanghai Aiwei did not inject capital to Shanghai Audio according to the prescribed timeframe and Shanghai Audio did not commence operation at all. This end up with the business licence being revoked in 2001, and Shanghai Audio did not conduct its annual inspection.
- (3) The business licence of Chengdu Aiwei Shiting Zhanshi Huiyi Zhizuo Company Limited* (成都愛維視聽展示會議製作有限公司) was revoked on 29 October 2012 due to failure to conduct annual inspection within the stipulated time frame. The failure to conduct the annual inspection was due to the lack of business since the establishment of Chengdu Aiwei Shiting Zhanshi Huiyi Zhizuo Company Limited* (成都愛維視聽展示會議製作有限公司). As advised by the PRC Legal Advisers, the revocation of business licence did not and will not have any impact on Mr. MP Wong's other businesses in the PRC, including our Group.
- (4) Given that (i) the deregistration of Shanghai Audio was approved by the relevant government authority on 6 February 2017 and (ii) the business license of Chengdu Aiwei Shiting Zhanshi Huiyi Zhizuo Company Limited* (成都愛維視聽展示會議製作有限公司) was revoked on 29 October 2012, there was no potential competition between our Group and Shanghai Audio and Chengdu Aiwei Shiting Zhanshi Huiyi Zhizuo Company Limited* (成都愛維視聽展示會議製作有限公司).

The business licence of Shanghai Audio was revoked in 2001 shortly after its establishment in June 2000 due to its failure to undergo annual inspection as required under the relevant PRC regulations within stipulated time frame. According to the then Company Law (The PRC) and the Rules for the Registration Administration of Legal Representatives of Legal Entities* (企業法人法定代表人登記管理規定), a legal representative who is personally liable to the revocation of the business licence of a PRC enterprise shall be prohibited to act as a legal representative, director, supervisor or senior management of any PRC enterprise for a period of three years from the date of the relevant revocation of business licence. According to the relevant governmental document in relation to the revocation of business licence of Shanghai Audio, there is no records showing that Mr. MP Wong is or was personally liable to the revocation of the business licence of Shanghai Audio. Therefore, the aforementioned three-year prohibition period does not affect Mr. MP Wong's suitability as a director.

According to the Administrative Penalties Law (the PRC)* (行政處罰法), the relevant authority shall enforce penalty within a two-year period from the date of breach of relevant PRC laws and regulations or, for continuous breach, the date of cessation of breach. Given that the three-year prohibition period for Mr. MP Wong to act as a director and the two-year enforcement period have expired and there is no circumstance under the prevailing Company Law (The PRC) and the Rules for the Registration Administration of Legal Representatives of Legal Entities* (企業法人法定代表人登記管理規定) which forbids Mr. MP Wong to act as a director, our PRC Legal Advisers are of the view that there will be no impact on Mr. MP Wong's directorships in our Group's PRC subsidiaries.

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In view of the fact that (i) Mr. MP Wong did not deliberately violated the relevant rules for annual filing; (ii) such non-compliance incident was a single incident and no other incident in relation to PRC annual filing was noted during the Track Record Period; (iii) the incident happened more than 15 years ago; (iv) Shanghai Audio was inactive immediately before its deregistration and/or revocation of its business license; and (v) according to the relevant governmental document in relation to the revocation of Shanghai Audio's business license, there is no records showing that Mr. MP Wong is or was personally liable to the revocation of the business licence of Shanghai Audio, the Sole Sponsor considered that such non-compliance incident did not involve any element of dishonesty or fraud on the part of Mr. MP Wong and did not cast doubt on his integrity, and having taken into account the above factors, the Sole Sponsor considered that Mr. MP Wong has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as an executive Director as those required under rules 5.01 and 5.02 of the GEM Listing Rules.

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 Company.

Mr. Wong Hon Po (黃漢波), 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. 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. He has been the director of AV Shanghai, a subsidiary of our Group since August 2016.

Mr. HP Wong was previously a director of Shanghai Audio. Further details of the deregistration of Shanghai Audio are set out in the biographies of Mr. MP Wong.

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 Company.

Mr. Wong Chi Bor (黃志波), aged 50, 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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

ceremonies and international congresses. He has over 25 years of experience in this industry. He is also the director of AVP Macao. Mr. CB Wong was the director of Beijing Yuanfang, subsidiaries of our Group until its deregistration on 19 May 2017.

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 Company.

Ms. Fu Bun Bun (傅彬彬), aged 43, is the executive Director of our Company. She was appointed as an executive Director on 1 December 2017. She joined our Group as marketing manager in March 1997. She was promoted to the marketing director of AV Shanghai in 2005. In 2015, she was appointed as the chief executive officer of our Company. She is responsible for the formulation and implementation of our marketing strategies and the development of our markets in the PRC. She is also responsible for the training of our sales and marketing staff. Since she joined our Group, she has served as the main point of contact between our customers, suppliers, outside contractors and our team.

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

Independent non-executive Directors

Mr. Chow Chun To (鄒振濤), aged 34, is our independent non-executive Director and was appointed to our Board on 1 December 2017. Mr. Chow has over 10 years of experience in accounting and auditing. From February 2008 to April 2011, he was an associate and then a senior auditor of Deloitte Touche Tohmatsu. From May 2011 to May 2013, Mr. Chow was the financial manager of Chiho-Tiande Group Limited, the shares of which are listed on the Stock Exchange (stock code: 976). From May 2013 to September 2014, he was the financial controller of JC Group Holdings Limited (currently known as Tonking New Energy Group Holdings Limited), the shares of which are listed on the Stock Exchange (stock code: 8326) from September 2014 to February 2017 he was the financial controller of In Construction Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1500).

From February 2017 until presently, Mr. Chow is the Chief Financial Officer and Company Secretary of Shenzhen Yestock Automobile Service Co., Ltd.

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

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

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

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Mr. Chen Yeung Tak (陳仰德), aged 33, is our independent non-executive Director and was appointed to our Board on 1 December 2017. Mr. Chen has over 10 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 March 2015 until presently, he is the financial controller of Sing On Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8352).

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.

Mr. Cheung Wai Lun Jacky (張偉倫先生), aged 44, 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 CHERISH Holdings Limited (東盈控股有限公司) (stock code: 2113) since September 2016, an independent non-executive director of Geotech Holdings Limited (致浩達控股有限公司) (stock code: 1707) since September 2017 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 59, 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.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this section, each of our Directors confirms with respect to himself or herself that: (i) he/she did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong or overseas and he/she did not hold any other position in our Company or any of its subsidiaries; (ii) save as disclosed in “Statutory and General Information – C. Further information about Substantial Shareholders and Directors – 1. Disclosure of Interests” in Appendix IV to this prospectus, he/she did not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management consists of our general manager and financial controller. The following table sets out certain information concerning members of our senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities
Ms. Yau Lai Ling (邱麗玲)	50	General Manager	July 1991	Overseeing personnel and administrative matters and running our audio-visual equipment rental department
Mr. Wong Wah (黃華)	33	Financial Controller	January 2016	Overseeing and managing our Group’s financial matters

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Yau Lai Ling (邱麗玲), aged 50, 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 Company. Also, she is the sister-in-law of Mr. MP Wong and Mr. HP Wong, who are both our executive Directors.

Ms. Yau has not held any directorships in any public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

Mr. Wong Wah (黃華), aged 33, joined our Group as financial controller in January 2016. Mr. Wong Wah is mainly responsible for overseeing and managing the financial matters of our Group.

Mr. Wong Wah obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in December 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010.

Mr. Wong Wah has 10 years of experience in auditing and accounting. From 2010 to 2013, he was the senior associate and promoted to manager in 2013 in PricewaterhouseCoopers until he left in 2016. He was responsible for providing auditing services to his clients.

Mr. Wong Wah has not held any directorships in any public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Wong Wah (黃華), aged 33, is the company secretary of our Company since 17 March 2017, and is mainly responsible for the company secretarial and related matters of our Group.

For details on Mr. Wong Wah's background, please refer to the description about him as our Company's financial controller in "Senior Management" under this section above.

COMPLIANCE OFFICER

Mr. MP Wong was appointed as the compliance officer of our Company on 1 December 2017.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD COMMITTEES

We have established the following committees in our Board of Directors: an audit committee, a remuneration committee and a nomination committee.

Audit Committee

Our Company established an audit committee with written terms of reference on 1 December 2017 in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules respectively. The primary duties of audit committee include, among others, to make recommendations to our Board on the appointment and removal of external auditors; review of the financial statements and material advice in respect of financial reporting; and supervise the internal control procedures and risk management systems of our Company.

The audit committee consists of three independent non-executive Directors. The audit committee comprises Mr. Chow Chun To, Mr. Chen Yeung Tak and Mr. Cheung Wai Lun Jacky. Mr. Chow Chun To is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee with written terms of reference on 1 December 2017 in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B1.2 of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules respectively. The primary duties of the remuneration committee include, among others, to make recommendations to our Board on our Company's overall remuneration policy and structure relating to the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee comprises Mr. Chen Yeung Tak, Mr. Chan Wing Kee and Mr. HP Wong. Mr. Chan Wing Kee is the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee with written terms of reference on 1 December 2017 in compliance with paragraph A5.2 of the same and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules respectively. The primary duties of the nomination committee include, among others, to review the structure, size and composition of the Board on a regular basis, assess independence of independent non-executive Directors and to make recommendations to our Board on the relevant matters relating to the appointment and re-appointment of Directors.

The nomination committee comprises Mr. MP Wong, Mr. Chan Wing Kee and Mr. Chow Chun To. Mr. MP Wong is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION POLICY

We base our remuneration policy on the position, duties and performance of our employees. The remuneration of our employees may include salary, bonus and various subsidies. We conduct performance appraisal under the supervision of Mr. MP Wong, our executive Director, on an annual basis.

The overall remuneration structure and policy of our Group is expected to remain the same upon Listing, except that the remuneration committee will perform such duties as stated in “Board Committees – Remuneration Committee” in this section. For details of about our employees, remuneration policies, bonus and training, please refer to “Business – Employees” in this Prospectus.

COMPLIANCE ADVISER

Our Company has appointed Halcyon Capital Limited as the compliance adviser pursuant to Rule 6A.19 of GEM Listing Rules. The compliance adviser will advise us on the following matters pursuant to Rule 6A.23 of the GEM Listing Rules:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares the possible development of a false market in its securities, or any other matters under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules on the distribution of the annual report in respect of the financial results of the second full financial year commencing after the Listing Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION OF DIRECTORS AND MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our Directors for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 are HK\$4.0 million, HK\$3.2 million and HK\$1.6 million respectively.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our five highest paid individuals for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 are HK\$4.9 million, HK\$4.1 million and HK\$2.2 million.

It is estimated that an aggregate amount of remuneration equivalent to approximately HK\$3.0 million will be paid and granted to our Directors by us for the year ending 31 December 2017 under arrangements in force on the date of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining us, or to qualify him/her as a Director, or otherwise for service rendered by him/her in connection with the promotion or formation of us. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, experience, responsibility, performance and the time devoted to our business.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individual, please refer to Note 9 to the Accountants' Report as set out in Appendix I to this prospectus.

BENEFITS

In compliance with all the Mandatory Provident Fund scheme related legal obligations under the Mandatory Provident Fund Schemes Ordinance, we have participated in a Mandatory Provident Fund scheme operated by an approved Mandatory Provident Fund service provider, enrolled all our executive Directors and qualifying employees in the Mandatory Provident Fund scheme and made Mandatory Provident Fund contributions for them.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the total number of shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

<u>Name</u>	<u>Capacity/nature of interest</u>	<u>As at the Latest Practicable Date</u>		<u>Immediately after completion of the Share Offer and the Capitalisation Issue</u>	
		<u>Number of Shares held/interested in</u>	<u>Approximate percentage of shareholding</u>	<u>Number of Shares held/interested in</u>	<u>Percentage of shareholding</u>
Mega King (<i>Note 1</i>)	Beneficial Owner	1,000	100%	300,000,000	75%
Jumbo Fame (<i>Note 1</i>)	Interest of controlled corporation	1,000	100%	300,000,000	75%
Trustee (<i>Note 1</i>)	Trustee	1,000	100%	300,000,000	75%
Mr. MP Wong (<i>Note 2</i>)	Interest of a controlled corporation; founder and beneficiary of The WMPE Family 2017 Trust	1,000	100%	300,000,000	75%
Mrs. Wong (<i>Note 3</i>)	Family Interests; Beneficiary of The WMPE Family 2017 Trust	1,000	100%	300,000,000	75%

Notes:

- The 300,000,000 Shares will be 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 members of the class of eligible beneficiaries pursuant to the Trust Deed. By virtue of the provisions of Part XV of the SFO, each of Jumbo Fame and the Trustee is deemed to be interested in all the Shares held by Mega King.
- Mr. MP Wong is the spouse of Mrs. Wong, the father of Mr. Wong Hin Hang and Ms. Wong Hin Fei, a founder of our Group, an executive Director, the settlor, appointer and a beneficiary of The WMPE Family 2017 Trust. Mr. MP Wong is the sole director of Mega King and therefore Mr. MP Wong is deemed or taken to be interested in all the Shares beneficially owned by Mega King for the purpose of the SFO. Mr. MP Wong as settlor, appointer and beneficiary of The WMPE Family 2017 Trust is also deemed or taken to be interested in all the Shares held by Mega King for the purpose of the SFO. Mr. MP Wong is also one of the directors of Jumbo Fame.

SUBSTANTIAL SHAREHOLDERS

3. Mrs. Wong is the spouse of Mr. MP Wong and one of the beneficiaries of The WMPE Family 2017 Trust and is deemed to be interested in all the Shares held by Mega King for the purpose of the SFO.

Save as disclosed in this section, our Directors are not aware of any persons who will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, Mega King will be directly interested in 75% of our Company's entire issued share capital. Mega King is wholly-owned by Jumbo Fame, which in turn is wholly-owned by the Trustee, the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is a discretionary trust established by Mr. MP Wong as the Settlor and Appointer, with its discretionary objects including 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 persons as may be appointed as additional members of the class of eligible beneficiaries pursuant to the Trust Deed. Please refer to "History, Corporate Development and Reorganisation – II. Formation of The WMPE Family 2017 Trust" in this prospectus for more details on The WMPE Family 2017 Trust.

Accordingly, Mr. MP Wong, Mega King and Jumbo Fame are our Controlling Shareholders for the purpose of the GEM Listing Rules.

Information on our Controlling Shareholders

Jumbo Fame and Mega King are investment vehicles solely for the purpose of holding the Shares and do not have any business operations.

Please refer to "Directors, Senior Management and Employees – Directors – Executive Directors" in this prospectus for more details on Mr. MP Wong.

Interest of Controlling Shareholders in Other Businesses

As at the Latest Practicable Date, the Excluded Businesses were as follows:

Excluded Businesses	Business activities
Manufacturing and trading	General trading, manufacturing and/or trading, import and export and/or wholesale and retail of audio and video equipment, LED, LCD and other display equipment, energy saving products and provision of related installation and maintenance services and implementation of lighting projects in relation to the installation of LED light tube for indoor/outdoor lighting for general illumination purpose in office and household uses
Provision of technological services	Software design, software development, technological consultancy services
Investment holding	Investment holding
Property holding	Property investment for rental income

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period, save as disclosed in this section, our Directors confirmed that our Group did not have any business dealings with the companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders and their respective close associates.

Clear delineation of business

None of our Directors, our Controlling Shareholders, Substantial Shareholders nor any of their respective close associates has any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with the business of our Group or has other conflicts of interest with our Group.

None of the Excluded Businesses are included into our Group, as they are businesses, namely, (i) manufacturing and/or trading, import and export and/or wholesale and retail of audio and video equipment, LCD, LED and other display equipment, energy saving products, and provision of related installation and maintenance services and the implementation of projects in relation to the installation of LED light tube for indoor/outdoor lighting for general illumination purpose in office and household uses; (ii) provision of technological services such as software design and development and technological consultancy services; (iii) investment holding and (iv) property holding, that are fundamentally different from the business of our Group (namely, provision of visual, lighting and audio solutions services). None of the Excluded Businesses is involved in the business of provision of one-stop visual, lighting and audio solutions service operated by our Group. Further, the customers and target customers for the Excluded Businesses are mainly corporate clients (such as end-users and retailers of products supplied by the Excluded Businesses) while the customers and target customers for our business are mainly event organisers and/or organisations looking to organise specific events which require special stage visual, lighting and audio effects.

Given our different business nature, different customer base and different target markets, and the Excluded Businesses are not in line with our business strategy, we believe that there is clear business delineation and that there is no direct and/or potential competition between the business of our Group and the Excluded Businesses. As of the Latest Practicable Date, Mr. MP Wong has no intention to inject the Excluded Businesses into our Group in the future. Our Directors do not expect there to be any overlap of or competition between the Excluded Businesses and our Group's business after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE OF OUR GROUP FROM CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Having considered the following factors, our Directors believe that our Group is capable of carrying on its business independently of, and does not place reliance on, our Controlling Shareholders nor their respective close associates after Listing.

Management independence

Our management and operational decisions are made by the Board and our team of senior management. The Board comprises 4 executive Directors and 4 independent non-executive Directors. The only overlapping director between our Group and the corporate Controlling Shareholders and/or the Excluded Companies is (1) Mr. MP Wong, who is also a director of each of Mega King and Jumbo Fame, as well as certain Excluded Companies; and (2) Mr. CB Wong, our executive Director, who is also a director of one of the Excluded Companies. It is expected that Mr. MP Wong will allocate a majority of his working time to our Group after the Listing. Save for Mr. MP Wong and Mr. CB Wong, neither our Directors nor any members of our senior management holds any directorships or other positions in the Excluded Companies.

Notwithstanding the proposed common directorship to be held by Mr. MP Wong in our Company and in Mega King, Jumbo Fame and certain Excluded Companies respectively, as well as Mr. CB Wong's overlapping directorship in our Company and one of the Excluded Companies, we consider that our Board and senior management will function independently from our Controlling Shareholders and their respective close associates because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his/her personal interests to exist;
- (b) pursuant to and unless otherwise permitted under the Articles and the GEM Listing Rules, our Directors must abstain from voting on any resolutions of our Board in respect of any contracts or arrangements or proposal in which they or any of their respective close associates (or in the case of connected transactions, their respective associates) have a material interest, and shall not be counted towards the quorum of such relevant meeting(s) of the Board. The independence of our Board's decisions in respect of any matters in which any of our Directors has a material interest and/or potential conflict of interest is and can be ensured;
- (c) pursuant to the terms of the service contracts entered into between our Company and our executive Directors, every executive Director is required to devote sufficient time, attention and abilities during normal business hours and such additional time as may reasonably be requisite to our Group. The positions held by Mr. MP Wong in Mega King, Jumbo Fame and certain Excluded Companies only require him to oversee the strategic planning of and provide strategic advice

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

to those companies as and when needed and therefore will neither affect his substantial devotion of time and attention to our Group, nor the proper discharge and performance of his functions and duties towards our Group;

- (d) our senior management members have, during the whole or substantially the whole of the Track Record Period, undertaken senior management supervisory responsibilities in our Group's business and are primarily responsible for the management of day-to-day operations of our Group as well as the implementation of business plans and strategies laid down by our Board. The senior management of our Group comprises of two members, none of which holds any management or executive roles in Mega King, Jumbo Fame and Excluded Companies. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders and their respective close associates;
- (e) with the appointment of the independent non-executive Directors to our Board, we maintain and will continue to maintain a balanced composition of executive and non-executive Directors with diversified expertise and experience, a strong independent element is thus present to effectively exercise independent judgment on the corporate actions of our Company and make decisions after due consideration of independent and impartial opinions and views of our independent non-executive Directors;
- (f) the management, operation and affairs of our Group are headed, managed and supervised jointly by our Board instead of by any individual Director. Our Board acts collectively by a majority decision according to the Articles, and no individual Director is allowed to transact or can alone make any decision on behalf of our Company unless authorised by our Board or in accordance with the provisions of the Articles and the Companies Law. Any view of a Director will be checked and balanced by the view of other members of our Board, including the independent non-executive Directors; and
- (g) our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Each of our Directors is fully aware of his fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the Articles and/or the GEM Listing Rules.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities, to handle our day-to-day operations independent from our Controlling Shareholders and their respective close associates. Our Company also has its own management team which is independent of our Controlling Shareholders and their respective close associates. Please refer to "Independence of our Group from Controlling Shareholders and their respective close associates – Management Independence" in this section for further details and analysis. All relevant equipment and assets necessary to our business operations are either owned by our Group or leased/hired to our Group by independent third parties instead of our Controlling Shareholders and their

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

respective close associates. We have independent access to our suppliers and customers and none of our Controlling Shareholders and their respective close associates are a major supplier nor an intermediary of a major supplier of our Group. All our operating subsidiaries have obtained and hold in their respective names all necessary licences and permits to operate our business, and have registered in their respective names all the trademarks and domain names used by our Group in our business. We do not rely on any licence, permits and intellectual property rights held by our Controlling Shareholders and their respective close associates. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their associates. Our Directors are therefore of the view that there is no operational dependence by us on, and we are operating our businesses independently of, our Controlling Shareholders and their respective close associates.

Financial independence

Our Group has an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, our Group had certain banking facilities that were secured by guarantees and/or securities provided by Mr. MP Wong, Mrs. Wong and other close associates of Mr. MP Wong. The relevant banks which granted such banking facilities to our Group will release the guarantees and/or securities given by Mr. MP Wong and his close associates respectively and replace each of them with other securities and/or guarantees from our Company upon the Listing and/or its subsidiaries in favour of the relevant banks. Save as aforesaid, none of our bank loans and other borrowed monies were secured by securities and/or guarantees provided by our Controlling Shareholders and their respective close associates.

Moreover, as at the Latest Practicable Date:

- (a) we had no amounts due to or from our Controlling Shareholders and their respective close associates;
- (b) we have our own accounting department and independent financial system and make our financial decisions independently in accordance with our own business and operation needs;
- (c) our finance operations are handled by our accounting department, which operates independently from, and does not share any other functions or resources with, our Controlling Shareholders and their respective close associates;
- (d) we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- (e) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors confirm that we will not rely on our Controlling Shareholders for financing after Listing as we expect that our working capital will be funded by our operating income and bank borrowings.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company (for its own and on behalf of all members of our Group) on 1 December 2017, pursuant to which each of our Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with our Company that during the period that the Deed of Non-Competition remains effective, each of our Controlling Shareholders shall not, and shall procure that none of his/its associates (excluding any member of our Group) shall, among others:

- (a) directly or indirectly (other than through our Group), whether on his/its own account or jointly with or on behalf of any person, firm or company, engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether as a shareholder, director, employee, partner, agent or otherwise (as the case may be), in any business in competition with or likely to be in competition with our Group's existing business activity and any business activities which may be undertaken by our Group from time to time (the "**Restricted Business**") and/or which any member of our Group may undertake in Hong Kong or outside Hong Kong from time to time ("**Restricted Territory**") except for the holding in aggregate by the Covenantors (individually or together or with their Associates collectively), whether directly or indirectly, of not more than 5% shareholding interests in any listed company in Hong Kong that engages or is involved in any activity or business which directly or indirectly competes with the Restricted Business, only if and provided always that (i) at all times there is a third party shareholder holding (together, where appropriate, with his/its Associates) a larger percentage of the shares in such listed company than the aggregate shareholding of him/it and/or his/its Associates in such listed company; (ii) he/it and/or his/its Associates are not entitled to appoint a majority of the directors of that listed company; and (iii) he/it and/or his/its Associates will not participate in or be involved in any way in the business, management and/or operation of that listed company;
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business, including but not limited to, solicitation and/or enticing away from any member of our Group, of our Group's customers, suppliers or staff; and
- (c) exploit his/its knowledge or information or technique or skill or know-how obtained from our Group to compete, directly or indirectly, with the Restricted Business and/or any other business carried on by our Group from time to time.

In addition, each of our Controlling Shareholders irrevocably and unconditionally undertakes and covenants with our Company and each of the members of our Group that during the Restricted Period if he/it, or his/its associates, receive enquiries of or is made

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

aware of or comes across any actual or potential business opportunity relating to any of the Restricted Business in the Restricted Territory (the “**Business Opportunity**”) or any such Business Opportunity is made available to him/it or his/its associates, he/it shall direct or procure the relevant associate to direct such Business Opportunity to us (and not to any other person) on a timely basis but in any event no later than 14 days from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such requisite information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant associate to provide us with all such assistance to secure such Business Opportunity as our Company or the relevant member of our Group may reasonably request or require. Any decision of our Group as to whether to pursue such Business Opportunity shall have to be approved by our independent non-executive Directors.

Our Controlling Shareholder(s) and other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal on such Business Opportunity.

The Deed of Non-Competition shall take effect from the Listing Date and shall cease to have effect on a Controlling Shareholder on the earlier of (i) the date on which such Controlling Shareholder and his/its associates, individually or collectively ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as that term is defined from time to time under the GEM Listing Rules) of our Company or (ii) the Shares cease to be listed on the Stock Exchange (the “**Restricted Period**”) (save for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

Right of First Refusal

Pursuant to the Deed of Non-Competition, Mr. MP Wong irrevocably and unconditionally covenants and undertakes that in the event that he and/or his close associates intends to dispose of any part or all of his and/or his close associates’ interests in the Excluded Businesses or Excluded Companies, he and/or his close associates shall first offer to our Company the right to acquire such Excluded Businesses or such Excluded Companies. Mr. MP Wong may only proceed with such disposal, on terms not more favourable than those offered to our Company following the rejection of such offer by our Company.

In the event our Company decides that it is in the interests of our Shareholders to expand our Group’s business portfolio to include Excluded Businesses or Excluded Companies and Mr. MP Wong and/or his close associates agrees to dispose of any of the Excluded Businesses or Excluded Companies, Mr. MP Wong will offer and procure his close associates which own the relevant Excluded Businesses or Excluded Companies to offer to our Company a right of first refusal to acquire such businesses/companies from him and/or his close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The exercise of the aforesaid right of first refusal is subject to (i) the memorandum and articles of association of the Excluded Companies; (ii) any rights of other shareholders of companies constituting the Excluded Business that existed before the date of the Deed of Non-Competition; (iii) all necessary governmental approvals, permission, consent, filing or waiver from the relevant third parties (if any); and (iv) all applicable laws, rules and regulations (including but not limited to the GEM Listing Rules).

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates will not compete with us as provided in the Deed of Non-Competition. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we will implement upon Listing the following measures:

- (a) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (b) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders and/or their respective close associates, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles of Association and/or the GEM Listing Rules, be required to make full disclosure in respects of matters that conflict or potentially conflict with our Group's interest and, where required, abstain from in the relevant board meeting and/or general meeting voting on the transaction and not count as quorum where required;
- (c) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (d) our Controlling Shareholders undertake to provide our Company with an annual confirmation in respect of the compliance by our Controlling Shareholders and their close associates with the terms of the Deed of Non-Competition and acknowledge and agree that such annual confirmation will be disclosed in the annual report of our Company;
- (e) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders and disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertakings in our Company's annual report or by way of announcement to the public;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) we are committed to ensuring that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed 4 independent non-executive Directors whom we believe possess sufficient experience and free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. The independent non-executive Directors will also be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors, Senior Management and Employees – Directors – Independent Non-executive Directors” in this prospectus; and
- (g) we have appointed the Sole Sponsor as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and corporate governance.

SHARE CAPITAL

SHARE CAPITAL

Assuming the Share Offer becomes unconditional, the Offer Size Adjustment Option is not exercised, and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme, our share capital immediately following the Share Offer and the Capitalisation Issue will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:</i>		<i>HK\$</i>
1,000	Share in issue at the date of this prospectus	10
299,999,000	Shares to be issued pursuant to Capitalisation Issue	2,999,990
100,000,000	Shares to be issued pursuant to the Share Offer (before any exercise of the Offer Size Adjustment Option)	1,000,000
<u>400,000,000</u>	Shares in total (before any exercise of the Offer Size Adjustment Option) (<i>Note</i>)	<u>4,000,000</u>

Note: If the Offer Size Adjustment Option is exercised in full, 15,000,000 Shares will be issued resulting a total issued share capital of 415,000,000 Shares with an aggregate nominal value of HK\$4,150,000.

ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Share Offer and the Capitalisation Issue are made as described herein. It does not take into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to in “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” under this section below, as the case may be.

MINIMUM PUBLIC FLOAT

According to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our Company’s issued share capital in the hands of the public.

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RANKING

The Offer Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 1 December 2017, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 299,999,000 Shares credited as fully paid at par to our sole Shareholder as the holder of Shares on the register of members of our Company at the close of business on 1 December 2017 (or as it may direct) by way of capitalisation of the sum of HK\$2,999,990 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions as stated in “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than by way of rights issue or the exercise of the Offer Size Adjustment Option or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;

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- (b) the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to "A. Further Information about our Company – 3. Written Resolutions of our Sole Shareholder passed on 1 December 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions as stated in "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in "A. Further Information about our Company – 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to "A. Further information about our Company – 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

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CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Under the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

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of event during the Track Record Period which mainly comprised of the provision of visual, lighting and audio solutions to car shows of our largest customer (a PRC car distributor) in over 15 locations in the PRC for each of FY2015 and FY2016.

During the six months ended 30 June 2017, our revenue increased by 26.2% from HK\$85.0 million during 6M2016 to HK\$107.2 million during 6M2017. The increase was mainly contributed by the increase in revenue generated from exhibition, which continue to remain as our major revenue contributing type of event during 6M2017 which mainly comprised of the provision of visual, lighting and audio solutions to car shows of our largest customer (a PRC car distributor) held in Shanghai during the second quarter of 2017.

REORGANISATION AND BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted Company with limited liability on 23 February 2017 in preparation for the Listing. Pursuant to the Reorganisation with details set out in the section “History, Development and Reorganisation”, our Company became the holding company of our Group upon completion of the Reorganisation. Apart from the Reorganisation, our Company has not carried on any business since its incorporation. The Reorganisation is merely a reorganisation of the business of the companies now comprising our Group with no change in controlling shareholder and management. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of the business of the companies now comprising our Group conducted through AVP Macao, AVP and its subsidiaries and, the historical financial information of our Group has been prepared and presented as a continuation of the consolidated financial statements of AVP Macao, AVP and its subsidiaries, with the results, assets and liabilities recognised and measured at the carrying amounts of the business of the companies now comprising our Group under the consolidated financial statements for all periods presented. More details of the basis of presentation and preparation of financial statements are set out in Notes 1.3 and 2.1 to the Accountant’s Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING FINANCIAL POSITION AND OUR RESULTS OF OPERATIONS

We summarise below the key factors which, we consider, have affected and will continuously affect our financial position and results of operation.

Change in our Group’s major customer demand

Our Group’s revenue is dependent on the services demand from our Group’s largest customer. Although the respective share of revenue generated from our Group’s largest customer may change from time-to-time, our Directors expect our Group to continue to generate a significant portion of our revenue from our largest customer. During FY2015, FY2016 and 6M2017, revenue contributed by our largest customer accounted for 38.8%, 29.2% and 34.7% of our total revenue, respectively. Demand from our major customers may change from time-to-time due to various reasons, such as, the marketing and promotion budget of our customers, our pricing competitiveness and our capability to execute their conceptual design. If the prices of our products are not as competitive as those set by our

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competitors for comparable products or if the quality of our services does not meet our customers' expectations or requirements, our customers may reduce their demand on our services or may not engage us at all. Since we do not enter into long-term contracts with our customers or have long-term commitment from them; and we are not their exclusive vendor, there is no assurance that our existing customers will continue to engage us at current levels or at all in the future. In these circumstances, our results of operations and financial performance may be affected.

Trends of the marketing and/or entertainment industry for promotions

Our operating results are affected by changes in trends in the marketing and/or entertainment industry, including changes in market preference for marketing tools and methods to achieve marketing and promotional results. If the trend in the marketing industry shifted from using events and shows to using other marketing tools and methods, and if our major customers respond to this change in marketing trend, they may reduce their marketing expenditure and investments away from events and shows to other marketing tools and methods, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we also provide visual, lighting and audio solutions to the entertainment industry such as participation in television broadcasting shows and concerts and we also execute our clients' marketing ideas via our visual, lighting and audio solutions. Given the ever-changing nature of technology and customer behaviour, and change in market trends in the marketing and/or entertainment industry, if we fail to capture, anticipate or respond timely to, and adapt our services to, our customers' preference and changes in market trends, our competitive strength will be reduced and our business, results of operations and financial condition could be materially affected.

We may not be able to obtain adequate financing

Our business requires working capital for our daily operations. In addition, we require capital investment to update our equipment portfolio in response to rapid technological changes and support our business growth. During the Track Record Period, we utilised cash generated from our operations and bank borrowings to maintain our cash flow and finance our capital expenditure. As at 31 December 2015, 31 December 2016 and 30 June 2017, our bank borrowings repayable within one year were HK\$176.2 million, HK\$118.1 million and HK\$96.8 million, respectively. If we are unable to obtain bank borrowings and other external financing or resources on commercially acceptable terms or in a timely manner or at all in the future, we may be forced to curtail our expansion plans and our results of operations and financial condition may be materially and adversely affected. Furthermore, if interest rate follows a rising trend in the future, our finance cost will increase accordingly, which may have an adverse effect on our results of operations and financial condition.

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Our business is subject to and sensitive to changes in economic, political and/or social conditions in the PRC, Hong Kong and Macau

Our performance and financial conditions depend on the state of economy, political and social condition in the PRC, Hong Kong, and Macau, to which almost all of our revenue during the Track Record Period was attributable. If there is a downturn in the economy, political and/or social distress in the PRC, Hong Kong, and Macau, our existing and potential customers and their ultimate customers may reduce their discretionary spending, including spending on marketing and entertainment-related shows, events and exhibitions, the overall market demand for services may hence be reduced, and our results of operations and financial position may be significantly and adversely affected.

We may not be able to compete successfully against our competitors

We may not be able to compete successfully against our competitors. Any increase in competition may result in price reductions for our services, reduce in margins and loss of our market share and our existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share. If we fail to compete successfully, we could lose our potential customers and there is no assurance that our strategies will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial conditions and results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in Note 2 “Summary of significant accounting policies” to the Accountant’s Report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in Note 4 “Critical accounting estimates and judgements” to the Accountant’s Report set out in Appendix I to this prospectus.

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SUMMARY OF RESULTS OF OPERATIONS

The following table summarises our consolidated results for the Track Record Period extracted from the Accountant's Report of our Group contained in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountant's Report of our Group contained in Appendix I to this prospectus and not rely merely on the information contained in this section.

	For the year ended		For the six months	
	31 December		ended 30 June	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Revenue	179,714	183,979	84,985	107,236
Cost of sales	<u>(141,671)</u>	<u>(140,808)</u>	<u>(65,407)</u>	<u>(83,636)</u>
Gross profit	38,043	43,171	19,578	23,600
Other (losses)/gains, net	(1,655)	613	512	(235)
Selling expenses	(3,735)	(3,438)	(1,949)	(1,629)
Administrative expenses	<u>(24,557)</u>	<u>(27,573)</u>	<u>(13,715)</u>	<u>(20,721)</u>
Operating profit	8,096	12,773	4,426	1,015
Finance income	724	592	289	113
Finance expenses	<u>(4,524)</u>	<u>(4,327)</u>	<u>(2,139)</u>	<u>(2,200)</u>
Finance expenses, net	<u>(3,800)</u>	<u>(3,735)</u>	<u>(1,850)</u>	<u>(2,087)</u>
Profit/(loss) before income tax	4,296	9,038	2,576	(1,072)
Income tax expenses	<u>(1,096)</u>	<u>(2,758)</u>	<u>(855)</u>	<u>(1,974)</u>
Profit/(loss) for the year/period attributable to owners of our Company	<u>3,200</u>	<u>6,280</u>	<u>1,721</u>	<u>(3,046)</u>

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DISCUSSION OF CERTAIN KEY INCOME STATEMENT ITEMS

Revenue

Our revenue consists mainly of service fee received from the provision of visual, lighting and audio solutions to our customers.

The following table sets forth a breakdown of our revenue by types of events for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Exhibition	117,042	65.1	111,366	60.5	51,571	60.7	70,147	65.4
Ceremony	16,488	9.2	19,012	10.3	9,158	10.8	5,923	5.5
Conference	13,649	7.6	14,482	7.9	5,805	6.8	11,308	10.5
Concert	9,146	5.1	10,206	5.5	6,064	7.1	3,984	3.7
TV show	8,242	4.6	9,875	5.4	3,462	4.1	4,565	4.3
Product launch	7,447	4.1	9,256	5.0	4,643	5.5	5,619	5.2
Others	7,700	4.3	9,782	5.4	4,282	5.0	5,690	5.4
	<u>179,714</u>	<u>100.0</u>	<u>183,979</u>	<u>100.0</u>	<u>84,985</u>	<u>100.0</u>	<u>107,236</u>	<u>100.0</u>

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

Our revenue increased slightly by 2.4% from HK\$179.7 million in FY2015 to HK\$184.0 million in FY2016. The increase was mainly contributed by the overall slight increase in revenue generated from those major events including conference, concert, exhibition and ceremony, as a result of general increment of our services fee and number of projects carried out by our Group. Exhibition remained our major revenue contributing type of event during the Track Record Period which mainly comprised of the provision of visual, lighting and audio solutions to car shows of our largest customer (a PRC car distributor) in over 15 locations in the PRC for each of FY2015 and FY2016.

During the six months ended 30 June 2017, our revenue increased by 26.2% from HK\$85.0 million during 6M2016 to HK\$107.2 million during 6M2017. The increase was mainly contributed by the increase in revenue generated from exhibition, which continue to remain as our major revenue contributing type of event during 6M2017 which mainly comprised of the provision of visual, lighting and audio solutions to car shows of our largest customer (a PRC car distributor) held in Shanghai during the second quarter of 2017.

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The following table sets forth a breakdown of our revenue by types of customers for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
End-customer	109,045	60.7	109,245	59.4	57,614	67.8	66,820	62.3
Intermediaries	70,669	39.3	74,734	40.6	27,371	32.2	40,416	37.7
Total	<u>179,714</u>	<u>100.0</u>	<u>183,979</u>	<u>100.0</u>	<u>84,985</u>	<u>100.0</u>	<u>107,326</u>	<u>100.0</u>

During the Track Record Period, our customers comprised (i) end-users, which include car distributor and manufacturer, television and radio broadcasters, financial institutions and government and statutory bodies; and (ii) intermediaries, which comprised of public relationship agencies, event organisers and concert organisers. For FY2015 and FY2016, 60.7% and 59.4% of our revenue was generated from end-users. During 6M2016 and 6M2017, 67.8% and 62.3% of our revenue was generated from end-users.

The following table sets forth a breakdown of our revenue by geographical locations that our Group derives revenue from customers for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
The PRC	100,848	56.1	93,629	50.9	42,109	49.5	75,222	70.1
Hong Kong	65,358	36.4	78,499	42.7	37,267	43.9	23,356	21.8
Macau	13,508	7.5	11,851	6.4	5,609	6.6	8,658	8.1
Total	<u>179,714</u>	<u>100.0</u>	<u>183,979</u>	<u>100.0</u>	<u>84,985</u>	<u>100.0</u>	<u>107,326</u>	<u>100.0</u>

The PRC has been our largest revenue generating region and accounted for over 50% of our revenue during the Track Record Period. Projects in the PRC comprised of, among others, car shows, exhibitions, marketing events, conferences as well as private events and wedding banquets. Hong Kong accounted for 36.4% and 42.7% respectively during the FY2015 and FY2016 respectively. Projects carried out in Hong Kong comprised of, among others, exhibitions, concerts, conference, TV shows, and other private events. Our Group also carried out certain projects in Macau which contributed 7.5% and 6.4% of our total revenue during FY2015 and FY2016 respectively. Projects in Macau comprised of, among others, exhibitions, conferences, concerts and other private events.

During 6M2017, the PRC continued to remain as our largest revenue generating region and accounted for 70.1% of our Group's revenue during the period. Projects in the PRC continue to comprise of, among others, car shows, exhibitions, marketing events,

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conferences as well as private events and wedding banquets. The increase in revenue contribution from the PRC region was mainly contributed by the car show held in the second quarter 2017 in Shanghai, of which the contract sum of such car show recorded a substantial increase as compared to that of in 6M2016. Hong Kong accounted for 21.8% of our revenue during the 6M2017 which was mainly contributed by provision of visual, lighting and audio solution to exhibitions, concerts, conference, TV shows and other private events. The decrease in revenue contributed by Hong Kong region was mainly due to relatively smaller volume of visual, lighting and audio solution services required by our customer during 6M 2017.

Cost of sales

Cost of sales primarily consists of (i) equipment rental cost; (ii) labour cost; (iii) material cost; (iv) depreciation charges of equipment; (v) freight expenses and (vi) travel expenses. The following table sets out the summary of cost of sales by nature during the Track Record Period:

		For the year ended 31 December				For the six months ended 30 June			
		2015		2016		2016		2017	
		HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
						<i>(Unaudited)</i>			
Equipment rental cost	(i)	60,074	42.4	53,859	38.3	24,427	37.9	35,241	42.1
Labour cost	(ii)	31,580	22.3	36,621	26.0	18,778	29.1	17,476	20.9
Material cost	(iii)	16,521	11.7	14,607	10.4	6,952	10.8	15,916	19.0
Depreciation charges of equipment	(iv)	12,201	8.6	14,043	10.0	6,173	9.6	6,591	7.9
Freight expenses	(v)	8,532	6.0	9,731	6.9	4,431	6.9	4,543	5.4
Travel expenses	(vi)	8,413	5.9	6,356	4.5	1,982	1.7	1,914	2.3
Others		4,350	3.1	5,591	3.9	2,664	4.0	1,955	2.4
Total		<u>141,671</u>	<u>100.0</u>	<u>140,808</u>	<u>100.0</u>	<u>65,407</u>	<u>100.0</u>	<u>83,636</u>	<u>100.0</u>

(i) Equipment rental cost

Despite our Group owned equipment with net book value of more than HK\$80 million as at 30 June 2017, our Group will still from time to time rent 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 effect desired by our customers. Equipment rented by our Group during the Track Record Period comprised of audio equipment (including mixing consoles, amplifier and speakers), visual equipment (including projectors and LED screens); lighting equipment (including moving head wash light and LED wash light); and other ancillary items (including cables, truss and stands for equipment elevation and mounting and simultaneous interpretation equipment).

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(ii) Labour cost

Labour cost 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 staff and fees paid for the services provided by ad hoc manpower.

(iii) Material cost

Material cost mainly represent consumables and backdrop materials.

(iv) Depreciation charges of equipment

Depreciation charges mainly represent depreciation on our equipment during the Track Record Period pursuant to our Group's depreciation policies, which is depreciated at a rate of 15% to 30% per annum.

(v) Freight expenses

Freight expenses mainly represent logistics and transportation cost of delivering our equipment to and from the warehouse and the project location. During Track Record Period, our Group operated an internal logistic team in Hong Kong to handle the delivery of equipment in Hong Kong and engaged external logistic company as and when necessary. While in the PRC and Macau, our Group generally handled our logistic arrangement via external logistic companies.

(vi) 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 will be recorded as travelling expense as part of the cost of sales.

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Gross profit and gross profit margin

We recorded a gross profit of HK\$38.0 million, HK\$43.2 million and HK\$23.6 million, and gross profit margin of 21.2%, 23.5% and 22.0% for FY2015 and FY2016 and 6M2017 respectively. Gross profit margin had remained comparable during the Track Record Period. The following table sets out the summary of gross profit by types of event during Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Exhibition	23,585	20.2	25,488	22.9	12,928	25.1	15,053	21.5
Ceremony	3,887	23.6	4,429	23.3	1,677	18.3	1,364	23.0
Conference	3,096	22.7	3,457	23.9	1,195	20.6	2,648	23.4
Concert	2,182	23.9	2,663	26.1	1,240	20.4	889	22.3
TV show	1,967	23.9	2,370	24.0	714	20.6	1,078	23.6
Product launch	1,458	19.6	2,187	23.6	875	18.8	1,418	25.2
Others	1,868	24.3	2,577	26.3	949	22.2	1,150	20.2
	<u>38,043</u>	21.2	<u>43,171</u>	23.5	<u>19,578</u>	23.0	<u>23,600</u>	22.0

The following table sets out the summary of gross profit by types of customers during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
End-customer	14,493	20.5	16,250	21.7	5,660	20.7	8,410	20.8
Intermediaries	23,550	21.6	26,921	24.6	13,918	24.2	15,190	22.7
	<u>38,043</u>	21.2	<u>43,171</u>	23.5	<u>19,578</u>	23.0	<u>23,600</u>	22.0

Our gross profit increased by 13.5% from HK\$38.0 million to HK\$43.2 million for FY2016. The increase in our gross profit was contributed by the combined effect of: (i) the slight increase in revenue by 2.4%; and (ii) the slight decrease in cost of sales as a result of our Group's streamlining of our operations in the PRC. Exhibition remained our major gross profit contributing type of event during the Track Record Period, which represented 62.0%, 59.0% and 64.0% of our total gross profit for FY2015, FY2016 and 6M2017 respectively. Our gross profit increased by 20.5% from HK\$19.6 million in 6M2016 to HK\$23.6 million

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in 6M2017, which was mainly contributed by the increase in our gross profit from the exhibition events. During the Track Record Period and our Group in general recorded a gross profit margin of around 20% or above for each type of events during the Track Record Period.

Other losses/gains, net

Net other losses for FY2015 mainly comprised of and losses on derivative financial instruments in aggregate amounted to HK\$3.4 million. Such other losses were partially offset by certain other gains recorded in FY2015, mainly including interest income from investments in insurance contracts of HK\$1.1 million, management fee income from a related party of HK\$0.4 million and changes in value on investments in insurance contracts of HK\$0.2 million.

Net other gains for FY2016 mainly comprised of interest income from investments in insurance contracts of HK\$0.7 million, gain on disposal of a subsidiary of HK\$0.2 million and changes in value on investments in insurance contracts of HK\$0.2 million.

Our Group recorded other gain of HK\$0.5 million and other losses amounted to HK\$0.2 million during 6M2016 and 6M2017 respectively. Other net gain during 6M2016 was mainly contributed by interest income from investments in insurance contracts while the other losses recorded during 6M2017 was mainly resulted from exchange differences during the period.

Included in other losses/gain, net, during the Track Record Period, our Group also recorded an exchange loss of HK\$1.2 million, an exchange loss of HK\$0.6 million and an exchange loss of HK\$0.2 million for FY2015, FY2016 and 6M2017 respectively. Our Group's sales receivables are by and large denominated in HK\$ and RMB. The RMB received from our customers generally is sufficient to settle our Group's RMB-denominated liabilities from time to time without resorting to RMB purchases on the market. Our Directors, therefore, do not expect any significant foreign exchange risk exposure to our Group, and currently does not see the need and has no present intention to hold any significant amount of RMB or other foreign currency deposits to meet our Group's RMB denominated liabilities and considered that our Group's foreign exchange exposure to its foreign exchange currency time deposit is insignificant, if at all.

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Selling expenses

The following table sets out selling expenses by nature during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June			
	2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Staff cost	812	21.7	1,667	48.5	833	42.7	632	38.8
Motor vehicle expenses	495	13.3	517	15.0	301	15.4	19	1.2
Travel expenses	338	9.0	423	12.3	241	12.4	173	10.6
Rental expenses	398	10.7	420	12.2	212	10.9	203	12.5
Entertainment	868	23.2	162	4.7	115	5.9	523	32.1
Advertising expense	485	13.0	33	1.0	23	1.2	14	0.9
Others	339	9.1	216	6.3	224	11.5	65	3.9
Total	3,735	100.0	3,438	100.0	1,949	100.0	1,629	100.0

Selling expenses mainly comprised of staff cost of our Group's sales and marketing department, office rental expense of our Shanghai sales office, entertainment expense in association with business solicitation, advertising expense, travel expense and motor vehicle expense of our sales department.

Administrative expenses

The following table sets out administrative expenses by nature during the Track Record Period:

	For the year ended 31 December				For the six months ended 30 June				
	2015		2016		2016		2017		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
	<i>(unaudited)</i>								
Staff costs	(i)	15,828	64.5	15,466	56.1	8,348	60.9	9,085	43.8
Rentals of office and warehouse	(ii)	3,035	12.4	2,143	7.7	1,178	8.6	1,044	5.0
Utilities and stationery expenses	(iii)	1,211	4.9	1,216	4.4	772	5.6	698	3.4
Insurance expenses	(iv)	864	3.5	1,077	3.9	546	4.0	470	2.3
Depreciation charges	(v)	772	3.1	644	2.3	324	2.4	410	2.0
Listing expenses	(vi)	–	–	4,271	15.5	1,356	9.9	8,080	39.0
Motor vehicle expenses		577	2.4	622	2.3	256	1.9	257	1.2
Auditors' remuneration		72	0.3	73	0.3	50	0.4	40	0.2
Others	(vii)	2,198	8.9	2,061	7.5	885	6.3	637	3.1
Total		24,557	100.0	27,573	100.0	13,715	100.0	20,721	100.0

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(i) Staff costs

Staff costs mainly represent salary, bonus and employee benefits (including mandatory provident funds, social insurance and housing provident funds, as the case maybe) paid to our staff of the administrative and finance department. Administrative staff costs account for 64.5%, 56.1% and 43.8% of our total administrative expense during the Track Record Period and the decreasing trend was mainly contributed by the decrease in headcount of our administration and finance department as a result of the streamlining of our PRC operations.

(ii) Rentals of office and warehouse

Rentals of office and warehouse mainly represent payment of rental management fees and/or rates of our workshop/offices in Hong Kong and the PRC.

(iii) Utilities and stationery expenses

Utilities and stationery expenses mainly represents telecommunication expenses, security expenses, electricity, stationary and printing expenses.

(iv) Insurance expenses

Insurance expenses mainly represent insurance expenses incurred for our workshop and the motor vehicle.

(v) Depreciation charges

Depreciation represents depreciation of our Group's leasehold improvements, furniture and fixtures and motor vehicles pursuant to the depreciation policies of our Group. Leasehold improvements are depreciated at a depreciation rate of 15% to 30% per annum or over the remaining lease terms, while furniture and fixtures and motor vehicles are both depreciated at a rate of 15% to 30% per annum.

(vi) Listing expenses

Listing expenses represent expenses incurred during FY2016 and 6M2017 for the preparation of the Listing.

(vii) Others

Other administrative expenses mainly comprised of expenses in relation to repair and maintenance of workshop facilities, minor leasehold improvement and office consumables.

Finance income and expenses

Finance income of our Group during the Track Record period comprised of bank interest income while finance expenses comprised of interest expenses on borrowings.

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Income tax expenses

Our Group's income tax expense represents amounts of income tax paid by our Group, at the applicable tax rates in accordance with the relevant laws and regulations in the PRC, Hong Kong and Macau.

The PRC

Pursuant to the EIT Law, which became effective from 1 January 2008, all of our subsidiaries established in the PRC are subject to a statutory income tax rate of 25.0% and during the Track Record Period we enjoy a preferential tax treatments offered by tax authorities by AV Guangzhou at 10.0%.

Hong Kong

The applicable Hong Kong profits tax rate for our Group's subsidiary incorporated in Hong Kong was 16.5% for each of FY2015, FY2016 and 6M2017, respectively.

Macau

All our Macau's operations were subject to Macau profit tax up to the maximum of 12% during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

6M2017 compared to 6M2016

Revenue

Our Group's revenue for 6M2017 recorded an increase of 26.2% from HK\$85.0 million during 6M2016 to HK\$107.2 million during 6M2017. The increase in revenue was mainly contributed by the increase in revenue generated from the PRC during the period, while offset by the decrease in revenue generated by our Group in Hong Kong. The decrease in our revenue from Hong Kong during 6M2017 was attributable to the relatively smaller volume of visual, lighting and audio solution services required by our customer during 6M2017 as compared to that of during 6M2016. With such combined effect, our Group managed to record an overall increase in revenue by HK\$22.3 million (or 26.2%) during 6M2017.

Cost of sales

Our cost of sales recorded an increase of 27.9% from HK\$65.4 million during 6M2016 to HK\$83.6 million for 6M2017. Such increase is in-line with the increase in our revenue, and was mainly contributed by the increase in equipment rental cost and material cost.

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Gross profit and gross profit margin

For 6M2017, our Group's gross profit amounted to HK\$23.6 million, representing an increase of 20.5% or by HK\$4.0 million as compared to that of 6M2016. Our gross profit margin recorded a slight decrease from 23.0% in 6M2016 to 22.0% in 6M2017. Such slight decrease was contributed by the magnitude of increase in revenue (26.2%) is less than that of cost of sales (27.9%).

Other losses/gains, net

Our Group recorded other gain of HK\$0.5 million and other losses amounted to HK\$0.2 million during 6M2016 and 6M2017 respectively. Other net gain during 6M2016 was mainly contributed by interest income from investments in insurance contracts while the other losses recorded during 6M2017 was mainly resulted from exchange differences during the period.

Selling expenses

For 6M2017, our selling expenses amounted to HK\$1.6 million, representing a slight decrease of HK\$0.3 million as compared to 6M2016. Such decrease was mainly contributed by the decrease in staff cost and motor vehicle expenses as a result of the streamlining of our PRC operations which took place in the second half of 2016.

Administrative expenses

For 6M2017, our administrative expenses amounted to HK\$20.7 million, representing an increase of HK\$7.0 million as compared to 6M2016. Such increase was mainly contributed by the record of listing expenses of HK\$8.1 million during 6M2017 as compared to HK\$1.4 million during 6M2016.

Finance expenses, net

Our net finance expenses during 6M2017 amounted to HK\$2.1 million, representing a slight increase of HK\$0.2 million as compared to 6M2016. Such increase was mainly contributed by the decrease in finance income due to conversion of the pledged time deposits from RMB to HKD with lower interest rate during 6M2017.

Profit before income tax

As a result of foregoing, in particular the record of listing expenses in association with the preparation of listing, our Group's recorded a loss before tax of HK\$1.1 million during 6M2017, as compared to a profit before tax of HK\$2.6 million during 6M2016.

Income tax expenses

Income tax expenses increased by HK\$1.1 million from HK\$0.9 million for 6M2016 to HK\$2.0 million for 6M2017. The increase was mainly contributed by the increase in non-deductible expenses.

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Profit/loss for the year attributable to owners of our Company

As a result of the foregoing, our Group recorded a loss for the period attributable to owners of our Company of HK\$3.0 million during 6M2017, as compared to a profit for the period attributable to owners of our Company of HK\$1.7 million during 6M2016. By excluding listing expenses recognised as administrative expenses during the period, our Group's profit for the period during 6M2017 will increase by HK\$2.0 million as compared to 6M2016.

FY2016 compared to FY2015

Revenue

Our Group's revenue for FY2016 recorded a slight increase of 2.4% from HK\$179.7 million in FY2015 to HK\$184.0 million in FY2016. The slight increase in revenue was mainly contributed by the increase in revenue generated from Hong Kong during the year, while offset by the decrease in revenue generated by our Group in the PRC. The decrease in our revenue from the PRC in FY2016 was attributable to the relatively smaller volume of visual, lighting and audio solution services required by our largest customer (a PRC car distributor) from our Group in FY2016 than in FY2015, as the number of locations in the PRC in which they held car shows decreased in FY2016. With such combined effect, our Group managed to record an overall slight increase in revenue by HK\$4.3 million (or 2.4%) in FY2016.

Cost of sales

Despite our Group recorded a slight increase in revenue by 2.4% in FY2016, our cost of sales recorded a slight decrease amounted to HK\$0.9 million comparable to that of FY2015. Such decrease was contributed by the decrease in equipment rental cost, material cost and travel expenses incurred during FY2016.

Gross profit and gross profit margin

For FY2016, our Group's gross profit amounted to HK\$43.2 million, representing an increase of 13.5% or by HK\$5.1 million as compared to that of FY2015. Our gross profit margin also recorded a slight increase from 21.2% in FY2015 to 23.5% in FY2016. Such slight increase was contributed by the slight increase in revenue and slight decrease in our cost of sales in FY2016.

Other losses/gains, net

Other loss of our Group during the Track Record Period mainly comprised of (i) exchange differences resulting from the depreciation of RMB during the Track Record Period amounted to HK\$1.2 million and HK\$0.6 million during FY2015 and FY2016 respectively; and (ii) losses on derivative financial instruments of HK\$2.2 million for FY2015. Such losses were then offset by certain other gains recorded by our Group during the respective years mainly including (i) gain on disposal of a subsidiary amounted to HK\$0.2 million in FY2016; and (ii) interest income from investments in insurance contracts

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amounted to HK\$1.1 million and HK\$0.7 million in FY2015 and FY2016 respectively. Combining the above mentioned effect, our Group recorded other losses of HK\$1.7 million and other gains of HK\$0.6 million during FY2015 and FY2016 respectively.

Selling expenses

For FY2016, our selling expenses amounted to HK\$3.4 million, representing a decrease of 8.0% as compared to FY2015. Such decrease was mainly contributed by cost-saving strategy to reduce the entertainment expenses during FY2016.

Administrative expenses

For FY2016, our administrative expenses amounted to HK\$27.6 million representing a slight increase of HK\$3.0 million as compared to FY2015. Such increase was mainly contributed by the record of listing expense during FY2016 amounted to HK\$4.3 million while offset by the decrease in staff cost as a result of the streamlining of our PRC operations.

Finance expenses, net

Net finance expenses comprised of our Group's finance expenses netting off by our finance income (i.e. bank interest income derived from our bank deposit). Finance expenses of our Group mainly comprised of interest expenses paid in relation to our bank borrowings amounted to HK\$4.5 million and HK\$4.3 million during FY2015 and FY2016 respectively. The slight decrease in interest expenses in FY2016 was in-line with the slight decrease in our outstanding bank borrowing balance in FY2016.

Profit before income tax

As a result of the foregoing, our Group's profit before income tax for FY2016 increased by 110.4% from HK\$4.3 million in FY2015 to HK\$9.0 million in FY2016 as compared to FY2015.

Income tax expenses

Income tax expenses increased by 151.6% from HK\$1.1 million in FY2015 to HK\$2.8 million in FY2016. The increase was mainly contributed by the increase in expenses not deductible for tax purposes during the year from HK\$0.4 million to HK\$1.1 million. Such non-deductible expenses were mainly professional fee incurred in relation to the Listing. As a result of such non-deductible expenses our Group's effective tax rate also increased substantially from 25.5% to 30.5%.

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Profit for the year attributable to owners of our Company

As a result of the foregoing, our Group's profit attributable to owners of our Company for FY2016 increased by 96.3% from HK\$3.2 million in FY2015 to HK\$6.3 million in FY2016. By excluding listing expenses recognised as administrative expenses in FY2016 amounted to HK\$4.3 million, profit for the year of our Group in FY2016 will be amounted to HK\$10.6 million.

LIQUIDITY AND CAPITAL STRUCTURE

We have historically financed our operations (which included funding required for working capital, acquisition of property, plant and equipment, and other liquidity requirements) through a combination of cash flow from operations and bank borrowings. We expect to fund our future operations and expansion plans principally with cash generated from our operations, bank borrowings and the net proceeds from the Share Offer and other funds raised from capital markets from time to time, when necessary.

Cash Flows

The following table sets forth the changes in cash flows of our Group during the Track Record Period:

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Net cash generated from/(used in) operating activities	41,217	45,343	32,546	(50,712)
Net cash (used in)/generated from investing activities	(49,159)	33,351	20,249	26,209
Net cash generated from/(used in) financing activities	<u>7,795</u>	<u>(8,518)</u>	<u>(20,169)</u>	<u>(23,657)</u>
Net (decrease)/increase in cash and cash equivalents	(147)	70,176	32,626	(48,160)
Cash and cash equivalents at the beginning of the year/period	5,660	4,692	4,692	72,447
Exchange (losses)/gain on cash and cash equivalents	<u>(821)</u>	<u>(2,421)</u>	<u>(498)</u>	<u>551</u>
Cash and cash equivalents at the end of the year/period	4,692	72,447	36,820	24,838

Net cash generated from operating activities

Our net cash from operations is mainly generated from our revenue received. Our cash used in operations were mainly for payment for our cost of services, selling expenses, administrative expenses and taxes.

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For 6M2017, the net cash of our Group used in operating activities was HK\$50.7 million, which was mainly attributable to the cash used in operations of HK\$50.2 million, and income tax paid of HK\$0.5 million. Our operating cash flows before movements in working capital was HK\$8.0 million, which was primarily attributable to loss before income tax of HK\$1.1 million after adjustment for non-cash items which principally include depreciation of property, plant and equipment of HK\$7.0 million, as well as finance expenses of HK\$2.0 million. Our changes in working capital contributed a cash outflow of HK\$58.3 million, which is primarily due to the increase in trade receivables of HK\$41.1 million; the decrease in accruals and other payables of HK\$5.2 million and the decrease in trade and bills payable of HK\$11.4 million.

For FY2016, the net cash of our Group generated from operating activities was HK\$45.3 million, which was mainly attributable to the cash generated from operations of HK\$47.7 million, and partially offset by income tax paid of HK\$2.4 million. Our operating cash flows before movements in working capital was HK\$27.3 million, which was primarily attributable to profit before income tax of HK\$9.0 million after adjustment for non-cash items which principally include depreciation of property, plant and equipment of HK\$14.7 million, as well as finance expenses of HK\$4.3 million. Our changes in working capital contributed to a cash inflow of HK\$20.4 million, which is primarily due to the decrease in trade receivables of HK\$1.7 million; the decrease in prepayments, deposits and other receivables of HK\$1.8 million; the increase in accruals and other payables of HK\$6.0 million and the increase in trade and bills payable of HK\$11.0 million.

Our total cash outflow for daily operation during FY2015 and FY2016, amounted to HK\$160.8 million ^(Note 1) and HK\$156.6 million ^(Note 2) respectively with an average monthly cash outflow for daily operation amounted to HK\$13.4 million and HK\$13.1 million respectively (calculated based on total cash outflow for daily operation during the year divided by the number of months). Our Group had been financing our cash outflow for daily operation from cash generated from our operation and bank borrowings.

Note:

1. The amount represents the sum of cost of sales of HK\$141.7 million, administrative expenses of HK\$24.6 million, selling expenses of HK\$3.7 million and net finance cost of HK\$3.8 million, excluding depreciation expenses of HK\$13.0 million for FY2015.
2. The amount represents the sum of cost of sales of HK\$140.8 million, administrative expenses of HK\$27.6 million, selling expenses of HK\$3.4 million and net finance cost of HK\$3.7 million, excluding depreciation expenses of HK\$14.7 million and listing expenses of HK\$4.3 million for FY2016.

For FY2015, the net cash of our Group generated from operating activities was HK\$41.2 million, which was mainly attributable to the cash generated from operations of HK\$44.4 million, and partially offset by income tax paid of HK\$3.2 million. Our operating cash flows before movements in working capital was HK\$23.1 million, which was primarily attributable to profit before income tax of HK\$4.3 million after adjustment for non-cash items which principally include depreciation of property, plant and equipment of HK\$13.0 million, as well as losses on derivative financial instruments of HK\$2.2 million and finance expenses of HK\$4.5 million. Our change in working capital contributed to a cash inflow of

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HK\$21.3 million, which is primarily due to the decrease in prepayments, deposits and other receivables of HK\$26.4 million; the decrease in trade receivables of HK\$1.3 million and partially offset by the decrease in trade and bills payables of HK\$6.3 million.

Net cash used in/generated from investing activities

During the Track Record Period, our Group derived cash inflow from investing activities mainly from bank interest received and proceed from disposal of property, plant and equipment. Our cash outflow used in investing activities is primarily used for purchases of property, plant and equipment and advances to a related company and to a director (before their repayments in FY2016).

For 6M2017, our net cash generated from investing activities was HK\$26.2 million. The net cash generated in investing activities was primarily contributed by the release of pledged time deposits amounted to HK\$35.8 million and partially offset by the purchase of property, plant and equipment of HK\$9.7 million.

For FY2016, our net cash generated from investing activities was HK\$33.4 million. The net cash generated in investing activities was primarily contributed by the repayments from a related company and a director amounted to HK\$62.2 million and HK\$6.5 million respectively, proceeds from disposal of investments in insurance contracts amounted to HK\$35.8 million, partially offset by the increase in pledged time deposits amounted to HK\$44.0 million and the purchase property, plant and equipment of HK\$27.9 million.

For FY2015, our net cash used in investing activities was HK\$49.2 million. The net cash used in investing activities was primarily due to purchase of property, plant and equipment of HK\$5.6 million, payments for settlement of derivative financial instruments of HK\$2.9 million, and the advances to a related company and a director amounted to HK\$37.8 million and HK\$11.4 million respectively; and partially offset by release of pledged time deposits of HK\$7.5 million.

Net cash generated from/ used in financing activities

During the Track Record Period, our cash inflow from financing activities is primarily from proceeds from borrowings. Our Group's cash outflow from financing activities was mainly derived from repayments of borrowings and payments of loan interest.

For 6M2017, our net cash used in financing activities was HK\$23.7 million. The net cash used in financing activities was primarily as a result of the repayment of borrowings amounted to HK\$91.4 million and the payment of loan interest amounted to HK\$2.2 million partially offset by the proceeds from borrowings amounted to HK\$70.0 million.

For FY2016, our net cash used in financing activities was HK\$8.5 million. The net cash used in financing activities was primarily as a result of the repayment of borrowings amounted to HK\$48.2 million and the payment of loan interest amounted to HK\$4.3 million offset by the proceeds from borrowings amounted to HK\$44.0 million.

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For FY2015, our net cash generated from financing activities was HK\$7.8 million. The net cash generated from financing activities was primarily resulted from the proceeds from borrowings amounted to HK\$95.0 million, offset by the repayment of borrowings amounted to HK\$82.7 million and the payment of loan interest amounted to HK\$4.5 million.

CURRENT ASSETS AND CURRENT LIABILITIES

Details of our Group's current assets and current liabilities as at 31 December 2015 and 2016 and 30 June 2017 and as at 31 October 2017 (being the latest practicable date for the purpose of indebtedness statement) are as follows:

	As at 31 December		As at 30 June	As at 31 October
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>
<i>Current assets</i>				
Investments in insurance contracts	34,923	–	–	–
Trade receivables	58,218	53,413	95,787	88,905
Prepayments, deposits and other receivables	6,983	2,852	5,065	12,985
Amount due from a director	5,255	–	–	–
Amount due from a related company	62,402	–	–	–
Pledged time deposits	18,994	61,770	26,000	–
Cash and cash equivalents	<u>14,544</u>	<u>72,447</u>	<u>24,838</u>	<u>27,193</u>
	201,319	190,482	151,690	129,083
<i>Current liabilities</i>				
Trade and bills payables	51,066	51,444	40,668	36,781
Accruals and other payables	4,468	9,789	4,685	3,955
Borrowings	176,187	118,144	96,997	51,743
Derivative financial instruments	1,051	–	–	–
Current income tax liabilities	<u>2,850</u>	<u>2,116</u>	<u>4,979</u>	<u>1,678</u>
	<u>235,622</u>	<u>181,493</u>	<u>147,329</u>	<u>94,157</u>
<i>Net current (liabilities)/assets</i>	<u>(34,303)</u>	<u>8,989</u>	<u>4,361</u>	<u>34,926</u>

As at 31 December 2016, our Group had net current asset of HK\$9.0 million representing an improvement of HK\$43.3 million as compared to the net current liabilities as at 31 December 2015. Such improvement was mainly attributable to (i) the increase in cash and cash equivalents of HK\$57.9 million; the increase in pledged time deposits amounted to HK\$42.8 million; and the decrease in current portion of bank borrowings by

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HK\$58.0 million; offset by (ii) the decrease in amounts due from a related company by HK\$62.4 million; the decrease in investments in insurance contracts by HK\$34.9 million; the decrease in amount due from a director by HK\$5.3 million; the decrease in prepayments, deposits and other receivables by HK\$4.1 million; and the increase in accruals and other payables by HK\$5.3 million.

As at 30 June 2017, our Group had net current assets of HK\$4.4 million representing a decrease of HK\$4.6 million as compared to the net current assets as at 31 December 2016. Such decrease was mainly attributable to (i) the decrease in cash and cash equivalents of HK\$47.6 million and the decrease in pledged time deposits of HK\$35.8 million; and partially offset by (ii) the increase in trade receivables of HK\$42.4 million; the decrease in trade and bills payables of HK\$10.8 million; decrease in current portion of borrowings of HK\$21.1 million; and decrease in accruals and other payables of HK\$5.1 million. Our property, plant and equipment also increased from HK\$72.7 million as at 31 December 2015 to HK\$84.3 million as at 30 June 2017.

As at 31 October 2017, our Group had net current assets of HK\$34.9 million representing an increase of HK\$30.5 million as compared to the net current assets as at 30 June 2017. Such increase was mainly attributable to (i) the decrease in current portion of borrowings of HK\$45.3 million and increase in prepayments, deposits and other receivables of HK\$7.9 million; and partially offset by (ii) the decrease in trade receivables of HK\$6.9 million and decrease in current portion of pledged time deposits of HK\$26.0 million.

DISCUSSION OF KEY BALANCE SHEET ITEMS

	As at 31 December	As at	
	2015	30 June	
	<i>HK\$'000</i>	<i>2017</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
ASSETS			
Non-current assets			
Property, plant and equipment	72,747	80,993	84,270
Prepayment for purchase of plant and equipment	3,838	2,255	623
Deferred income tax assets	1,170	–	–
	<u>77,755</u>	<u>83,248</u>	<u>84,893</u>
Current assets			
Investments in insurance contracts	34,923	–	–
Trade receivables	58,218	53,413	95,787
Prepayments, deposits and other receivables	6,983	2,852	5,065
Amount due from a director	5,255	–	–
Amount due from a related company	62,402	–	–
Pledged time deposits	18,994	61,770	26,000
Cash and cash equivalents	14,544	72,447	24,838
	<u>201,319</u>	<u>190,482</u>	<u>151,690</u>
Total assets	279,074	273,730	236,583

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	As at 31 December	2016	As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY and LIABILITIES			
Equity attributable to owners of our Company			
Share capital	–	–	–
Exchange reserve	(342)	(2,576)	(1,544)
Other reserves	5,314	5,314	5,314
Retained earnings	<u>27,496</u>	<u>33,776</u>	<u>30,730</u>
Total equity	32,468	36,514	34,500
LIABILITIES			
Non-current liabilities			
Provision for long service payments	707	500	500
Deferred income tax liabilities	10,277	11,223	9,993
Borrowings	<u>–</u>	<u>44,000</u>	<u>44,261</u>
	10,984	55,723	54,754
Current liabilities			
Trade and bills payables	51,066	51,444	40,668
Accruals and other payables	4,468	9,789	4,685
Borrowings	176,187	118,144	96,997
Derivative financial instruments	1,051	–	–
Current income tax liabilities	<u>2,850</u>	<u>2,116</u>	<u>4,979</u>
	235,622	181,493	147,329
Total liabilities	246,606	237,216	203,083
Total equity and liabilities	279,074	273,730	236,583

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Property, plant and equipment

Property, plant and equipment of our Group represent leasehold improvements, machinery, furniture and fixtures and motor vehicles. Set out below is the net book value of each type of property, plant and equipment of our Group as at 31 December 2015 and 2016 and 30 June 2017:

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Leasehold improvements	291	188	71
Machinery	68,657	78,144	81,169
Furniture and fixtures	736	817	773
Motor vehicles	<u>3,063</u>	<u>1,844</u>	<u>2,257</u>
	<u>72,747</u>	<u>80,993</u>	<u>84,270</u>

Our Group's property, plant and equipment mostly consist of machinery. The execution of our projects requires the use of various visual, lighting and audio equipment including, among others, presentation switchers, LED visual equipment, power amplifier controller, line array system, mixing consoles, LED wash light and moving head wash light. The increase in carrying amount of property, plant and equipment balance as at 31 December 2016 and 30 June 2017 was mainly contributed by the acquisition of additional machinery amount to HK\$26.4 million and HK\$9.6 million for FY2016 and 6M2017 respectively, which mainly included the purchase of LED visual equipment. Our Group would from time to time acquire additional visual, lighting and audio equipment to enhance our Group's execution capacity.

Prepayments for purchase of plant and equipment

During FY2015, FY2016 and 6M2017, our Group pre-ordered certain machineries (mainly including LED). Such machineries were yet to be delivered to our Group as at 31 December 2015 and 2016 and 30 June 2017. The ordering of such machineries required certain prepayments and were amounted to HK\$3.8 million, HK\$2.3 million and HK\$0.6 million as at 31 December 2015 and 2016 and 30 June 2017 respectively.

Deferred income tax assets

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 2015, the deferred income tax asset recognised by our Group was resulted from tax loss recorded by our Group's subsidiary in Beijing. During FY2016, our Group disposed such subsidiary to certain Independent Third Parties and as a result our Group no longer recorded any deferred income tax assets as at 31 December 2016 and 30 June 2017.

As at 31 December 2016 and 30 June 2017, our Group did not have any unrecognised deferred income tax assets.

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Investments in insurance contracts

Investment in insurance contracts represented two key management life insurance policies (“**Key Management Life Insurance Policies**”) taken out by AVP in 2010 and 2014 respectively for Mr. MP Wong, our Chairman and executive Director. AVP is the beneficiary of each of these insurance policies. The premium of the Key Management Life Insurance Policies were financed by bank borrowings and the Key Management Life Insurance Policies were also pledged to the bank as securities for certain facilities granted to our Group. As at 31 December 2015, our Group’s investment in insurance contracts amounted to HK\$34.9 million. As the investment in insurance contracts will have to be revaluated at each reporting date and any fair value gain/loss of the insurance contracts will have to be reflected in earnings of our Group, we considered that such non-cash fair value gain/loss to be recognised in relation to the insurance contracts may distort the operating results of our Group. Furthermore, the bank borrowings drawn down for financing the Key Management Life Insurance Policies also incurred interest expense. In view of the above factors and to reduce our finance cost, during FY2016, the ownership of the Key Management Life Insurance Policies was transferred by AVP to an out-Group company that is wholly-owned by Mr. MP Wong. The outstanding bank borrowings were fully repaid afterwards upon which our Group was no longer required to bear any finance costs after such repayment. As at 31 December 2016 and 30 June 2017, our Group no longer recorded any investment in insurance contract.

Trade receivables

The following table sets forth a breakdown of our Group’s trade receivables as at 31 December 2015 and 2016 and 30 June 2017:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>2017</i>
			<i>HK\$’000</i>
Trade receivables	58,639	53,413	95,787
Less: allowance for provision	(421)	—	—
Trade receivables, net of provision	<u>58,218</u>	<u>53,413</u>	<u>95,787</u>

Our trade receivables increased from HK\$53.4 million as at 31 December 2016 to HK\$95.8 million as at 30 June 2017 primarily contributed by our revenue recognised for provision of audio, visual and lighting services to our largest customer in the auto show held in Shanghai in the second quarter of 2017 amounting to HK\$37.2 million. The credit period granted to our largest customer was within 40 days after issuance of invoice thus the receivable was yet to be over due as at 30 June 2017.

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Our 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		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
			<i>HK\$'000</i>
Current	10,196	15,326	30,974
0 to 3 months	37,459	33,953	54,315
3 to 6 months	2,867	3,178	4,562
Over 6 months	<u>7,696</u>	<u>956</u>	<u>5,936</u>
	<u>58,218</u>	<u>53,413</u>	<u>95,787</u>

As at 31 December 2015 and 2016 and 30 June 2017, trade receivables of HK\$26.2 million, HK\$29.9 million and HK\$33.1 million, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be collected. The ageing analysis of these receivables is as follows:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
			<i>HK\$'000</i>
0 to 3 months	18,046	25,732	22,603
3 to 6 months	479	3,178	4,562
Over 6 months	<u>7,696</u>	<u>956</u>	<u>5,936</u>
Past due but not impaired	<u>26,221</u>	<u>29,866</u>	<u>33,101</u>

Our Group recorded allowance for the provision made for impairment of trade receivables of HK\$0.4 million for the year ended 31 December 2015. The balance of allowance for impairment of trade receivables as at 31 December 2015 mainly included one specific provision amounted to HK\$0.4 million in relation to one independent customer of our Group which was in unexpectedly difficult economic situation and it was assessed that the full amount will not be recovered. Such balance has been written off during FY2016 and no allowance for impairment of receivables was recorded as at 31 December 2016 and 30 June 2017.

As at the Latest Practicable Date, subsequent settlements of the outstanding balance of trade receivables as at 30 June 2017 amounted to HK\$76.3 million, representing 79.7% of the outstanding balance.

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The following table sets forth the turnover days of trade receivables (calculated as the average of beginning and ending total trade receivables balances for the period divided by revenue for the period, multiplied by the number of days in the period) for the Track Record Period:

	For the year ended 31 December		For the six months ended 30 June
	2015	2016	2017
	(Approximately)	(Approximately)	(Approximately)
Trade receivables turnover days	<u>126.4</u>	<u>110.7</u>	<u>125.9</u>

During FY2015 and FY2016, our Group recorded a decrease in trade receivables turnover days from 126.4 days to 110.7 days as our Group recorded an increase in revenue in Hong Kong, where customers required less time to process payment in general.

During 6M2017, our Group's trade receivables turnover days increased to 125.9 days due to additional receivables recognised during 6M2017 from customers which our Group granted relatively long credit period due to our long term business relationship with such customers. When entering into contracts with our customers, our sales team will negotiate major terms with our customers including, among other things, credit terms. The proposed credit terms of the contracts will then be reviewed by our senior management and be confirmed by the responsible Directors prior to entering into of the respective contracts. In assessing the credit worthiness of the customers before granting longer credit period to them, our Group will perform assessment on, among other things, the duration of relationship of our Group with the customers, the customers' credit history and settlement record, and project contract sum. Longer credit period have been provided to the customers generally with longer business relationship and no credit default history with us.

When approving additional credit terms for each customers, our Directors, on a case by case basis, would assess the credit terms offered to customers, based on a number of criteria, including but not limited to, the following:

- (i) the business relationship with the customers; in general our Directors will consider providing additional credit period for customers with business relationship of over 3 years;
- (ii) customers' credit history and settlement record; in general our Directors will consider providing additional credit period for customers with no history of default payment;
- (iii) scale and reputation of the customer; our Directors will consider providing longer credit period to customers of large scales including subsidiary of listed company/multinational companies; and
- (iv) contract sum of the relevant project; our Directors will generally provide longer credit period for project with contract sum of over HK\$0.5 million.

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Taking into account the above factors to be considered by our Directors, certain major customers of our Group during the Track Record Period, were granted with longer credit period, including (i) Customer A with credit term of within 40 days after issuance of invoice; and (ii) Customer D with credit within term of within 90 days after issuance of invoice for each completed show. The longest credit period granted by our Group was credit terms of within 90 days after issuance of invoice of each completed show granted to customer D.

Our Group conducts monthly review of our trade receivables and reports any long overdue trade receivables our management. Upon the due date, our staff will follow up with our customers by contacting the customers directly to ensure the invoices have been received by customers. The invoices would be re-issued if necessary. For account receivable which was past due over 30 days, our staff would follow up the settlement with customers by verbal reminder. If the account receivable was outstanding for over 90 days, our staff would inform the Financial Controller and follow up the settlement with customers by written reminder. If the account receivable was outstanding for over 180 days, Financial Controller would discuss with our head of sales department to closely monitor the settlement status with such customers. Further follow-up procedures such as legal action will be considered by our Director(s) if the account receivable was outstanding for over 1 year. As at the Latest Practicable Date, none our Group's trade receivable were past due for over 1 year which required consideration for the follow-up with legal actions.

As at 31 December 2015 and 2016 and 30 June 2017, our Directors confirmed that save as trade receivables of 45%, 56% and 35% of our total trade receivables respectively, were past due, but not impaired, our Group's customers were able to settle their trade receivables within their credit terms during the Track Record Period. Up to Latest Practicable Date 100%, 100% and 84% of the past due trade receivable balances as at 31 December 2015 and 2016 and 30 June 2017 respectively have been subsequent settled. Based on the historical settlement records, our Directors considered the credit risk of our Group is not material and thus no impairment was required. For details in relation to our Group's credit risk, please refer to "Risk Factor" in this Prospectus.

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Prepayments, deposits and other receivables

The following table sets forth a breakdown of our Group's prepayments, deposits and other receivables as at 31 December 2015 and 2016 and 30 June 2017:

		As at 31 December 2015 HK\$'000	2016 HK\$'000		As at 30 June 2017 HK\$'000
Rental deposits	(i)	1,227	593		599
Other deposits		39	39		41
Prepayments	(ii)	5,272	1,942		2,758
Prepayments for purchase of plant and equipment		3,838	2,255		623
Deferred listing costs		445	278		1,667
		10,821	5,107		5,688
Less: Non-current prepayments for purchase of plant and equipment		(3,838)	(2,255)		(623)
		6,983	2,852		5,065

(i) Rental deposits

Amount represents payment of rental deposits for our Group's Hong Kong workshop and Beijing office during the Track Record Period. The decrease in rental deposits in FY2016 was contributed by the disposal of AV Beijing Jiaye during FY2016.

(ii) Prepayments

Prepayments represent prepayments to our suppliers by the end of FY2015, FY2016 and 6M2017.

Amount due from a director/amount due from a related company

Amount due from a director/a related company represents advance to a director or related company of our Group. The amounts are denominated in HK\$, interest free, unsecured and repayable on demand. As at 31 December 2016, all amounts due have been fully settled. No such amount due from a director/a related company was recorded as at 30 June 2017.

Pledged time deposits

As at 31 December 2015 and 2016, approximately HK\$19.0 million and HK\$17.8 million were of initial maturity of two months to twelve months, are short term time deposits pledged for certain bank borrowings and earn interest at the respective short term

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time deposit rates. The weighted effective interest rates on these deposits for the year ended 31 December 2015 and 2016 were 3.1% and 2.3%, respectively. Pledged time deposits are denominated in RMB and deposited with creditworthy banks with no recent history of default. Such pledged time deposits have been fully converted into HK\$ denominated deposits in March 2017.

As at 31 December 2016, HK\$44.0 million were of initial maturity of one month to twelve months, are short term time deposits pledged for bank borrowings and earn interest at the respective short term time deposit rates. The weighted effective interest rate on these deposits for the year ended 31 December 2016 was 0.5%. Pledged time deposits are denominated in HK\$ and deposited with a creditworthy bank with no recent history of default. According to the terms of the banking facilities letter, such time deposits as at 31 December 2016 can be withdrawn at any time and other qualified securities should be placed as alternative on the same day. On 13 March 2017, such pledged time deposits have been released while guarantees were provided by Mr. MP Wong and Mrs. Wong and time deposits of Mr. MP Wong and Mrs. Wong were pledged for bank borrowings as alternative on the same day.

As at 30 June 2017, HK\$26.0 million were of initial maturity of two weeks, are short term time deposits pledged for bank borrowings and earn interest at the respective short term time deposit rates. The weighted effective interest rate on these deposits for 6M2017 was 0.01%. Pledged time deposits are denominated in HK\$ and deposited with a creditworthy bank with no recent history of default. According to the terms of the banking facilities letter, such time deposits as at 30 June 2017 can be withdrawn at any time and other qualified securities should be placed as alternative on the same day. On 4 September 2017, such pledged time deposits have been released while guarantees were provided by Mr. MP Wong and Mrs. Wong and time deposits of Mr. MP Wong and Mrs. Wong were pledged for bank borrowings as alternative on the same day.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand as well as short-term bank deposits. Cash and cash equivalents are denominated in HK\$, RMB and other currencies. As at 31 December 2015 and 2016 and 30 June 2017 our cash and cash equivalents netting-off our bank overdrafts were amounted to HK\$4.7 million, HK\$72.4 million and HK\$24.8 million respectively.

Trade and bills payables

Our Group's trade payables mainly relate to the rental of equipment fee payable to our equipment suppliers; logistic fees payable to our logistic service providers; material cost and stage setting up cost payable to our staging supplier. Our Group settles its trade payables in the form of, among others, bank remittance and cheques. Our Group's trade payables are mainly denominated in RMB, HK\$ and USD.

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The following table sets forth the ageing analysis of our Group's trade and bills payables based on invoice date, as at 31 December 2015 and 2016 and 30 June 2017:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
Up to 3 months	29,291	42,412	38,297
3 to 6 months	2,325	6,483	874
Over 6 months	<u>19,450</u>	<u>2,549</u>	<u>1,497</u>
	<u>51,066</u>	<u>51,444</u>	<u>40,668</u>

Our Group maintained a relatively stable level of trade and bills payable balance as at 31 December 2015 and 2016, and recorded a decrease in trade and bills payable balance as at 30 June 2017 due to the settlement of payable pursuant to the relevant credit period granted by the suppliers.

As at the Latest Practicable Date, subsequent settlements of the outstanding balance of trade payables as at 30 June 2017 amounted to HK\$26.3 million, representing 64.7% of the outstanding balance.

The following table sets forth the turnover days of average trade and bills payable (calculated as the average of beginning and ending total trade and bills payable balances for the period divided by cost of sales for the period, multiplied by the number of days in the period) for the Track Record Period:

	For the year ended		For the six
	31 December		months ended
	2015	2016	30 June
Trade and bills payable turnover days	<u>142.0</u>	<u>132.9</u>	<u>99.7</u>

Trade payable turnover days decreased from 142.0 days to 132.9 days and further to 99.7 days for FY2015, FY2016 and 6M2017, such decrease was mainly due to the difference in payment terms offered by our supplier during each of the two years ended 31 December 2016 and the six months ended 30 June 2017.

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Accruals and other payables

The following table sets forth a breakdown of our Group's accruals and other payables as at 31 December 2015 and 2016 and 30 June 2017:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Provision for long service payments	707	500	500
Current			
Accrual expenses	3,137	3,626	3,998
Receipt in advance	522	5,710	484
Other payables	809	453	203
	4,468	9,789	4,685
Total	5,175	10,289	5,185

As at 31 December 2015 and 2016, our Group's accruals and other payables were HK\$5.2 million and HK\$10.3 million respectively. The accruals and other payables principally represented receipt in advance from customers, provision for long service payment and accrued expenses including salaries, provision of staff welfare, and professional fees. The substantial increase in accrual and other payables balance was mainly contributed by increase in receipt in advance as well as the accrual of professional fee recorded in accrual expenses in relation to the initial offering of our Group by the end of 2016 amounted to HK\$0.5 million.

As at 30 June 2017, our Group's accruals and other payables balance decreased to HK\$5.2 million, which was mainly contributed by decrease in receipt in advance.

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Borrowings

Our Group's borrowings balance comprise of bank borrowings and finance lease liabilities. The following table sets forth the breakdown of our Group's borrowings as at 31 December 2015 and 2016 and 30 June 2017:

		As at 31 December		As at
		2015	2016	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
Current				
Bank borrowings	(i)	166,335	118,144	96,774
Bank overdrafts	(i)	9,852	–	–
Finance lease liabilities	(ii)	–	–	223
		<u>176,187</u>	<u>118,144</u>	<u>96,997</u>
Non-current				
Bank borrowings	(i)	–	44,000	44,000
Finance lease liabilities	(ii)	–	–	261
		<u>–</u>	<u>44,000</u>	<u>44,261</u>
		<u>176,187</u>	<u>162,144</u>	<u>141,258</u>

(i) Bank borrowings

Total bank borrowings of our Group as at 31 December 2015 and 2016 and 30 June 2017 amounted to HK\$176.2 million, HK\$162.1 million and HK\$140.8 million. The exposure of our bank borrowings to interest rate changes and the contractual repricing dates are six months or less. Our Group's bank borrowings were repayable as follows:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
On demand or within a period not exceeding one year	176,187	118,144	96,774
Between one to two years	–	44,000	44,000
	<u>176,187</u>	<u>162,144</u>	<u>140,774</u>

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Our 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		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
Within one year	127,481	98,366	28,470
Between one to two years	15,664	59,027	66,637
Between two to five years	19,459	4,751	45,667
Over five years	13,583	–	–
	<u>176,187</u>	<u>162,144</u>	<u>140,774</u>

As at 31 December 2015, bank borrowings were denominated in HK\$ and secured by (i) machineries amounted to HK\$60.4 million; (ii) the Key Management Life Insurance Policies (for more details, please refer to “Discussion of Key Balance Sheet Items – Investments in Insurance Contracts”) in this section; (iii) pledged time deposits of HK\$19.0 million; (iv) a property of WK Equipment Limited (formerly known as AV Equipment Limited); (v) a property of Harvest Dynasty Limited; (vi) properties of Mr. MP Wong and (vii) guarantees provided by Mr. MP Wong, Mrs. Wong, Dehao Electronics Technology Limited and Win News Technology Limited (both companies being wholly owned by Mr. MP Wong). These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin. The weighted effective interest rate on these bank borrowings was 2.6%.

As at 31 December 2016, bank borrowings were denominated in HK\$ and secured by (i) machineries amounted to HK\$73.5 million; (ii) pledged time deposits of HK\$61.8 million; (iii) a property of WK Equipment Limited (formerly known as AV Equipment Limited); (iv) a property of Harvest Dynasty Limited; (v) properties of Mr. MP Wong and (vi) guarantees provided by Mr. MP Wong, Mrs. Wong, Dehao Electronics Technology Limited and Win News Technology Limited (both companies being wholly owned by Mr. MP Wong). These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin. The weighted effective interest rate on these bank borrowings was 2.7%.

As at 30 June 2017, bank borrowings were denominated in HK\$ and secured by (i) machineries amounted to HK\$76.9 million; (ii) pledged time deposits of HK\$26.0 million; (iii) a property of WK Equipment Limited; (iv) a property of Harvest Dynasty Limited; (v) properties of Mr. MP Wong (vi) time deposits of HK\$18.0 million provided by Mrs. Wong; and (vii) guarantees provided by Mr. MP Wong, Mrs. Wong, DET and Win News. These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin. The weighted effective interest rate on these bank borrowings was 2.9%.

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As at 31 December 2015 and 2016, bank loans of our Group amounted to HK\$176.2 million and HK\$40.4 million drawn from our Group's banking facilities for which the requirements of two banks, from whom our banking facilities were granted, in requiring AVP to maintain a consolidated tangible net worth of no less than HK\$80.0 million and a minimum effective net worth of HK\$30.0 million, respectively, were breached which might trigger cross-default constituting an event of default under the terms of some of the banking facilities provided to our Group back then. However, the minimum consolidated tangible net worth was no longer required by one of the banks upon renewal of its banking facilities to us on 27 February 2017 and AVP was released from the undertaking to maintain the same. Likewise, the minimum effective worth was also not required by the other bank and no longer formed part of the terms of the banking facilities granted to our Group upon its renewal on 30 June 2016, which were subsequently repaid in full by us and terminated and no longer subsisting as at the Latest Practicable Date. In the circumstances, no lending banks concerned can possibly make a demand for early repayment of any or all amount due by our Group for committing the breach or for cross-default in the past as at the Latest Practicable Date.

In relation to the guarantees and/or securities provided by Mr. MP Wong, Mrs. Wong and other close associates of Mr. MP Wong, our Directors confirm that each of such guarantees and securities will be released upon Listing.

Save as the outstanding bank borrowing as at 31 December 2015 and 2016 and 30 June 2017, our Group also had undrawn borrowing facilities subject to review amounted to HK\$16.6 million, HK\$28.0 million and HK\$0.1 million available as at 31 December 2015 and 2016 and 30 June 2017 respectively.

After the Track Record Period, our Group also entered into two new banking facilities to refinance HK\$96.8 million of our outstanding bank borrowings as at 30 June 2017. Such new banking facilities will also not be subject to guarantees and/or securities provided by Mr. MP Wong, Mrs. Wong and other close associates of Mr. MP Wong upon Listing.

As at 31 October 2017 being the latest practicable date for the purpose of the indebtedness statement in this prospectus, our Group had outstanding borrowings of HK\$158.4 million and unutilised banking facilities of HK\$8.0 million, the details of which were as follows:

- (i) HK\$118.4 million non-revolving borrowings of which HK\$1.9 million, HK\$15.6 million, HK\$71.5 million and HK\$29.4 million are due to be repaid in FY2017, FY2018, FY2019 and FY2020 respectively; and
- (ii) HK\$40 million revolving bank loan due to be renewed in 2018.

Based on the repayment terms (assuming that there are no circumstances leading to the relevant financial institution to exercise the repayment on demand clause):

- (i) the revolving bank loan is expected to be renewed and no repayment is required to be made by our Group upon expiry of its current term;

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- (ii) the repayment of the outstanding non-revolving borrowings of HK\$118.4 million is expected to be funded by the following major sources in case they are to be repaid:
 - (a) our Group's available cash and cash equivalents and pledged deposit of HK\$67.2 million as at 31 October 2017;
 - (b) internal resources generated from our Group's operating activities; and
 - (c) refinancing from other banks or financial institutions alike.

Based on our historical operating profit before working capital changes amounted to HK\$23.1 million and HK\$27.3 million for FY2015 and FY2016 respectively, our Directors are of the view that our Group will have sufficient internal resources generated from our Group's operating activities going forward to fund the repayment of the non-revolving borrowings if and when required without resorting to refinancing from other banks and financial institutions alike.

The repayment of the existing non-revolving borrowings will improve our interest coverage and our debt to equity ratio when the repayment is funded by our Group's own internal sources. Nonetheless, to allow flexibility in the deployment of our working capital for our operation and business, our Group may resort to refinancing from other banks and financial institutions alike if and when appropriate in the repayment of the existing non-revolving borrowings.

Besides, approximately 73% of the proceeds from the Listing will be used for the acquisition of our equipment. Our Directors are of the view that the future cash outflow of our operation for payment of equipment rental to third parties could be reduced upon such use of the Listing's proceeds. Approximately 6% of the Listing's proceeds will be used for improving operating efficiency by the formation and development of new backdrop construction team, and is expected to help lower the material cost of consumables payable to our suppliers.

Our Directors are of the view that the above mentioned possible cost saving initiatives in relation to the acquisition of equipment and the establishment of backdrop team will further help contributing to the improvement of our Group's debt to equity ratio and interest coverage going forward.

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(i) *Finance lease liabilities*

As at 31 December 2015 and 2016 and 30 June 2017, our Group's finance lease liabilities were as follows:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross finance lease liabilities – minimum lease payments			
No later than 1 year	–	–	234
Later than 1 year and no later than 5 years	–	–	266
	–	–	500
Future finance charges on finance leases	–	–	(16)
Present value of finance lease liabilities	–	–	484

Assets arranged under finance lease represented a motor vehicle of our Group acquired in February 2017. The lease has a term of approximately 3 years with an effective interest rate of 3.2% per annum for 6M2017. The finance lease liabilities were secured by the motor vehicle purchased under finance lease in January 2017 and a guarantee provided by Mr. MP Wong. As confirmed by our Directors, such guarantee will be released or replaced by security provided by our Group upon Listing.

Derivative financial instruments

As at 31 December 2015, our Group had the derivative financial instruments which comprised of forward foreign currency contracts amounted to HK\$1.1 million. The notional principal amounts of such forward foreign currency contracts in aggregate amounted to US\$2.6 million. The above mentioned forward foreign currency contracts expired during FY2016 and our Group did not enter into any new contracts since then and as at 31 December 2016 and 30 June 2017, our Group did not record any derivative financial instruments balance.

During the Track Record Period, our Group recorded losses and gains on derivative financial instruments amounted to HK\$2.2 million and HK\$0.2 million for FY2015 and FY2016 respectively. Despite the forward foreign currency contracts entered into by our Group are not designated as hedging instruments and are not qualified for hedge accounting, our Group utilises forward foreign currency contracts to manage the foreign exchange risk arising from its operation, these arrangements are designed to reduce significant fluctuations in the exchange rate of foreign currencies. Since 31 December 2016 and up to the Latest Practicable Date, our Group did not enter into any derivative financial instruments. As our Group currently does not see the need and has no present intention to hold any significant amount of RMB or other foreign currencies, our Group's overall foreign exchange exposure

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is not significantly enough to justify the entering into of any derivative financial instruments of significant scale or the making of any hedging economically meaningful. Our Directors will from time to time closely monitor our Group's foreign exchange risk exposure, formulate appropriate foreign exchange policy, and consider hedging foreign currency exposure of our Group should the need arise.

Current income tax liabilities

As at 31 December 2015 and 2016, our Group's current income tax liabilities were HK\$2.9 million and HK\$2.1 million, respectively. Current income tax liabilities remained comparable as at 31 December 2015 and 2016 which mainly included settlement of current income tax of HK\$2.4 million for FY2016 and partially offset by charge of income tax of HK\$1.8 million during FY2016.

As at 30 June 2017, our Group's current income tax liabilities increased to HK\$5.0 million, which was mainly contributed by charge of current income tax of HK\$3.2 million while partially offset by settlement of current income tax of HK\$0.5 million during 6M2017.

Commitments

(i) Operating lease commitments

Our Group leases its premises in the PRC, Hong Kong and Macau under non-cancellable operating lease agreements. Set out below is the future aggregate minimum lease payments under non-cancellable operating leases of our Group:

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Operating lease:			
No later than 1 year	4,516	4,299	4,223
Later than 1 year and no later than 5 years	8,776	7,570	6,838
Over 5 years	3,778	2,371	1,898
	17,070	14,240	12,959

(ii) Capital commitments

Our Group had HK\$3.2 million, HK\$2.2 million and HK\$0.4 million capital commitment as at 31 December 2015 and 2016 and 30 June 2017 respectively for purchase of property, plant and equipment. During the Track Record Period, our Group pre-ordered certain equipment mainly including LED, such equipment were subsequent delivered to our Group in January 2016, February 2017 and September 2017.

FINANCIAL INFORMATION

CAPITAL EXPENDITURE

The following table sets forth of our Group's capital expenditure during the Track Record Period:

	For the year ended 31 December		For the six months ended 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Machinery	4,781	26,418	9,614
Furniture and fixtures	406	477	23
Motor vehicles	452	1,013	608
Leasehold improvements	—	38	—
	<u>5,639</u>	<u>27,946</u>	<u>10,245</u>

Taking into consideration the acquisition of equipment made in the first half of 2017, our Group did not acquire any material equipment after the Track Record Period and up to the Latest Practicable Date.

INDEBTEDNESS

As of 31 October 2017, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we had total outstanding indebtedness of HK\$158.4 million, including bank borrowings of HK\$158.0 million and finance lease of HK\$0.4 million. The bank borrowings were secured by (i) the pledged time deposits of HK\$40.0 million; (ii) a property of WK Equipment Limited (formerly known as AV Equipment Limited); (iii) a property of Harvest Dynasty Limited; (iv) properties of Mr. MP Wong; (v) guarantees provided by Mr. MP Wong and Mrs. Wong; and (vi) pledged time deposits of Mr. MP Wong and Mrs. Wong of HK\$44.0 million. The finance lease was secured by the motor vehicle purchased under finance lease in January 2017 and a guarantee provided by Mr. MP Wong. As of 31 October 2017, we had unutilized banking facilities of HK\$8.0 million.

As confirmed by our Directors, any borrowings of our Group that were secured by guarantee(s) and/or security provided by Mr. MP Wong, Mrs. Wong and/or their associates will be released or replaced by security provided by our Group upon Listing.

CONTINGENT LIABILITIES

As at 31 December 2015 and 2016, and 30 June 2017, our Group did not have any material contingent assets/liabilities and no off-balance sheet commitments and arrangements.

FINANCIAL INFORMATION

Save as disclosed in this section and the Accountant's Report set out in Appendix I to this prospectus, as of 31 October 2017, being the latest practicable date for determining our indebtedness, we did not have any other outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 December		As at or for the six month period ended 30 June
	2015	2016	2017
Current ratio ¹ (<i>times</i>)	0.9	1.0	1.0
Quick ratio ² (<i>times</i>)	0.9	1.0	1.0
Debt to equity ratio ³ (%)	497.9	245.7	337.4
Gearing ratio ⁴ (%)	542.6	444.1	409.4
Interest coverage ratio ⁵ (<i>times</i>)	1.9	3.1	0.5
Return on assets ⁶ (%)	1.1	2.3	N/A ⁽⁹⁾
Return on equity ⁷ (%)	9.9	17.2	N/A ⁽⁹⁾
Net profit margin ⁸ (%)	1.8	3.4	(2.8)

Notes:

- Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective year-end/period-end date.
- Quick ratio is calculated as the current assets excluded inventories divided by the total current liabilities as the respective year-end/period-end date.
- Debt to equity ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity as at the respective year-end/period-end date.
- Gearing ratio is calculated as total borrowings divided by total equity as at the respective year-end/period-end date and multiplied by 100%.
- Interest coverage is calculated as profit before interest and income tax expenses divided by interest expenses of the respective year-end/period.
- Return on assets is calculated as the net profit divided by the total assets for the respective years.
- Return on equity is calculated as the net profit attributable to our owners divided by the equity attributable to our owners as at the respective years.
- Net profit margin is calculated as the net profit attributable to our owners divided by revenue for the respective years/period.
- Such ratio is not applicable as it is not comparable to annual numbers.

FINANCIAL INFORMATION

Current ratio and quick ratio

The current ratio of our Group as at the two years ended 31 December 2015 and 2016 remained relatively stable of 0.9 times and 1.0 times respectively. The slight increase in current ratio is due to the magnitude of decrease in current assets (5%) is less than that of decrease in current liabilities (23%).

The current ratio of our Group remained stable at 1.0 times as at 30 June 2017 due to the similar magnitude of decrease in our current assets (20.4%) and current liabilities (18.8%).

The operations of our Group did not record any inventories during the Track Record Period. As such, the quick ratio of our Group as at 31 December 2015 and 2016 and 30 June 2017 was identical to the current ratio as explained above.

Gearing ratio

The gearing ratio of our Group was 542.6% and 444.1% as at 31 December 2015 and 2016 respectively.

The decrease in gearing ratio was principally attributable to (i) decrease in borrowings of HK\$14.0 million; and (ii) increase of total equity by HK\$4.0 million primarily due to the contribution of the net profit of HK\$6.3 million for the year ended 31 December 2016 partially offset by exchange differences of HK\$2.0 million.

The gearing ratio of our Group further decreased to 409.4% as at 30 June 2017 which was principally due to the magnitude of decrease in our total borrowings (12.9%) is larger than that in our total equity (5.5%).

Debt to equity ratio

The debt to equity ratio of our Group was 497.9% and 245.7% as at 31 December 2015 and 2016 respectively.

Significant decrease in the debt to equity ratio was principally attributable to (i) decrease in borrowings of HK\$14.0 million; (ii) significant increase in cash and cash equivalents by HK\$57.9 million respectively; and (iii) increase of total equity by HK\$4.0 million primarily due to the contribution of the net profit of HK\$6.3 million for the year ended 31 December 2016 partially offset by exchange differences of HK\$2.0 million.

The debt to equity ratio of our Group increased to 337.4% as at 30 June 2017 which was principally attributable to (i) increase in our net debt of HK\$26.7 million, which was mainly contributed by decrease of our cash and cash equivalents by HK\$47.6 million while partially offset by decrease in our total borrowings of HK\$20.9 million; and (ii) decrease in our total equity of HK\$2.0 million, due to the record of a loss for the period of HK\$3.0 million (as a result of the record of listing related expenses for preparation of our Group's initial public offering) partially offset by currency translation differences of HK\$1.0 million.

FINANCIAL INFORMATION

Interest coverage ratio

The interest coverage ratio of our Group was 1.9 and 3.1 times as at 31 December 2015 and 2016 respectively.

The increase in interest coverage ratio was principally attributable to increase in profit before interest and tax by 51.5% (as mainly driven by improvement in gross profit and decrease in exchange differences), while the interest expense of our Group remained relatively stable during the Track Record Period.

The interest coverage of our Group decreased to 0.5 for 6M2017, principally due to the decrease in our profit before interest and tax, which was mainly contributed by the charge of listing expense as administrative expenses of HK\$8.1 million during 6M2017.

Return on assets

The return on total assets for the two years ended 31 December 2016 were 1.1% and 2.3% respectively.

The growth in return on assets was mainly resulted from (i) the increase in net profit for FY2016 of 96.3%; and (ii) the decrease in total assets by HK\$5.3 million.

Return on equity

The return on equity ratios for the two years ended 31 December 2016 were 9.9% and 17.2% respectively.

The increase in return on equity was mainly resulted from (i) the increase in net profit for the year ended 31 December 2016 of 96.3%; and partially offset by (ii) the increase of total equity by HK\$4.0 million primarily due to the contribution of the net profit of HK\$6.3 million for the year ended 31 December 2016 partially offset by exchange differences of HK\$2.0 million.

Net profit margin

Our Group recorded net profit margin during the Track Record Period of 1.8% and 3.4% respectively.

Our Group recorded an increase in net profit margin for the year ended 31 December 2016 as compared to that of 2015 was mainly contributed by the increase in gross profit of HK\$5.1 million as well as the gains on derivative financial instruments of HK\$0.2 million, as compared to the losses on derivative financial instruments of HK\$2.2 million for the year ended 31 December 2015.

The net profit margin of our Group decreased to -2.8% for 6M2017, principally due to the charge of listing expense as administrative expenses of HK\$8.1 million during 6M2017 for the preparation of our Group's initial public offering.

FINANCIAL INFORMATION

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, after taking into account the financial resources available to our Group, including internally generated funds, the existing bank borrowings, the available banking facilities, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

LISTING EXPENSES

Our total listing expenses is expected to be amounted to HK\$25.0 million (including underwriting commission of HK\$2.5 million, assuming mid-point of the proposed Offer Price range and before any exercise of the Offer Size Adjustment Option to be paid to the Underwriters).

We incurred listing expenses of HK\$4.3 million and HK\$8.1 million for FY2016 and 6M2017 respectively in the profit or loss account. For the remaining six months in FY2017, our Group expect to incur an additional listing expense of (i) HK\$4.5 million to be recognised as administrative expense and (ii) HK\$8.1 million as a deduction in equity directly upon Listing.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that were reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For more information on our related party transactions, see note 28 to our consolidated financial information included in “Appendix I – Accountant’s Report”.

OFF-BALANCE SHEET COMMITMENTS AND AGREEMENTS

As at the Latest Practicable Date, we did not enter into any material off-balance sheet transaction except as disclosed in “Discussion of Key Balance Sheet Items – Commitments” in this section

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Group’s activities are exposed to various types of market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

FINANCIAL INFORMATION

(i) Market risk

(a) Foreign exchange risk

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

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

As at 31 December 2015 and 31 December 2016, the HK\$ weakened/strengthened by 5% against the RMB with all other variables held constant, the post-tax profit for the year ended 31 December 2015 and 2016 would have been HK\$1.5 million and HK\$1.7 million higher/lower, mainly as a result of net foreign exchange gains/losses on translation of RMB-denominated pledged time deposit in Hong Kong. As at 30 June 2017, the foreign exchange risk was insignificant as the RMB denominated time deposit has been settled during 6M2017.

Our Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. During FY2015 and FY2016, our Group recorded other comprehensive loss of currency translation differences of HK\$1.6 million and HK\$2.0 million, and other comprehensive gain of currency translation differences of HK\$1.0 million during 6M2017. 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 2015, 31 December 2016 and 30 June 2017, foreign exchange risks on financial assets and liabilities denominated in currencies other than functional currencies were insignificant to our Group.

Our Directors will from time to time closely monitor our Group's foreign exchange risk exposure, formulate appropriate foreign exchange policy, and consider hedging foreign currency exposure of our Group should the need arise.

(b) Cash flow interest rate risk

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

FINANCIAL INFORMATION

Our Group's exposure to changes in interest rates was mainly attributable to its borrowings from bank. Bank borrowings of variable rates exposed our Group to cash flow interest rate risk. Our Group has not hedged its cash flow interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in "Discussion of Key Balance Sheet Items – Bank Borrowings" in this section.

At 31 December 2015 and 2016 and 30 June 2017, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, our profit before income tax for the year ended 31 December 2015 and 2016 would have been HK\$1.8 million, HK\$1.6 million and HK\$1.4 million lower/higher respectively.

(ii) Credit risk

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

Our Company is exposed to concentration of credit risk to the extent that HK\$37.5 million, HK\$27.2 million and HK\$68.9 million of trade receivables is attributable by the top five customers as at 31 December 2015 and 2016 and 30 June 2017 respectively. Our Group trades only with recognised and creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that our Group's exposure to bad debts is not significant.

Our Company'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.

For amounts due from a director and a related company, our Group has assessed their abilities to repay the outstanding amounts and management expects no significant losses from non-performance by these counterparties. These balances were fully settled as at 31 December 2016.

(iii) Liquidity risk

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

Our Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring our Group's working capital to ensure that all liabilities due and known funding requirements could be met. The maturity analysis based on contractual undiscounted payments of our Group's financial liabilities is set out in Note 3.1 (c) to the Accountant's Report in Appendix I of this prospectus.

FINANCIAL INFORMATION

DIVIDEND

Our Company has not declared or paid dividend during the Track Record Period and up to the Latest Practicable Date. Our Group currently does not have a fixed dividend policy. The declaration and payment of future dividends will be subject to our Directors' discretion and will depend on our financial condition, results of operation, cash availability, statutory and regulatory restrictions in relation thereto, future prospects, and any other factors that our Directors may consider relevant. Dividends may be paid only out of our Group's distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our Group's operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 23 February 2017 and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to Shareholders as at 30 June 2017.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer and the Capitalisation Issue on the net tangible assets of our Group attributable to the owners of our Company as at 30 June 2017 as if the Share Offer and the Capitalisation Issue had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Share Offer and the Capitalisation Issue been completed as at 30 June 2017 or at any future dates.

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	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2017 <i>(note 1)</i> HK\$'000	Estimated net proceeds from the Share Offer <i>(note 2)</i> HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Offer Share <i>(note 3)</i> HK\$
Based on the Offer Price of HK\$0.40 per Offer Share	34,500	28,151	62,651	0.157
Based on the Offer Price of HK\$0.60 per Offer Share	34,500	46,401	80,901	0.202

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2016 is extracted from Accountant's Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$0.40 and HK\$0.60 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Company (excluding listing expenses of HK\$12.4 million which have been charged to our consolidated statement of comprehensive income up to 30 June 2017 and takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate.
- (3) The unaudited pro forma net tangible assets per Share is determined at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 30 June 2017 but takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2016.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, save as disclosed in this section and the Accountant's Report set out in Appendix I to this prospectus, there were no circumstances which would have given rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGE

The impact of (i) listing expenses of which HK\$4.5 million is expected to be recognised as administrative expenses in the remaining months of 2017; (ii) the additional depreciation charge to be recorded by our Group in relation to the new Shanghai studio which is expected to be amounted to HK\$1.0 million for the year ending 31 December 2017 (and is expected to be amounted to HK\$0.9 million for the year ending 31 December 2018); and (iii) the additional professional fees to be recorded in connection with the Listing (including but not limited to auditor's remuneration, compliance adviser fee, annual listing fee, fees in relation to publication of corporate communications in compliance with the annual obligations of our Company under the GEM Listing Rules and retained lawyers' fee) which is expected to be amounted to HK\$0.8 million for the year ending 31 December 2017 (and is expected to be amounted to HK\$2.3 million for the year ending 31 December 2018) making a total of HK\$6.3 million for the year ending 31 December 2017 (and is expected to be amounted to HK\$3.2 million for the year ended 31 December 2018) on the profit and loss accounts has posed a material change in the financial or trading position or prospects of our Company or its subsidiaries since 30 June 2017 (being the date of the latest audited consolidated financial statements were made up) and our Group may record a loss in 2017. Prospective investors should be aware of the abovementioned impact on the financial performance of our Group for the year ending 31 December 2017.

Our Directors have confirmed that, up to the date of this prospectus, save for the abovementioned impact on the profit or loss accounts, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017, being the date on which the latest audited consolidated financial statements of our Group were made up, and there is no event since 30 June 2017 which would materially affect the results shown in the Accountant's Report set out in Appendix I to this prospectus.

RECENT DEVELOPMENT

We have continued to focus on our principal business of providing of visual, lighting and audio solutions to our customers in the PRC, Hong Kong and Macau. After the Track Record Period and up to the Latest Practicable Date, we participated in aggregate over 500 visual, lighting and audio projects in the PRC, Hong Kong and Macau, with an aggregate contract sum amounted to approximately HK\$69.6 million including but not limited to (i) the provision of visual solutions in certain events in celebrating the 20th anniversary of the establishment of the Hong Kong Special Administrative Region; (ii) the provision of visual solutions in Hong Kong's first e-sports and music festival; (iii) the provision of visual solutions in the Hong Kong's annual beauty pageant organised by a major Hong Kong television broadcast station; (iv) the provision of visual solutions in a large scale conference in the PRC for a cosmetics company; (v) conference related to "One Belt, One Road"; and (vi) various activities for the celebration of the National Day of the PRC.

Contributed by the above mentioned service rendered after the Track Record Period, our Group continue to record revenue generated from provision of visual, lighting and audio solutions to our customers and also an increase in our Group's net asset value as compared to 30 June 2017.

FINANCIAL INFORMATION

Furthermore, we have entered into over 30 new contracts of various scale and committed orders with aggregate contract sum of approximately HK\$12.3 million as at the Latest Practicable Date, in which, we will be providing visual, lighting and/or audio solutions to (i) auto shows in various cities in the PRC; (ii) various conference, concert and exhibition in Hong Kong; and (iii) a light festival in Macau.

To the best knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition of the visual, audio and lighting solutions in the PRC, Hong Kong and Macau which would materially affect the operation or performance of our principal business. Our Directors confirmed that, up to the date of this prospectus, save for the impact of (i) listing expenses of which HK\$4.5 million is expected to be recognised as administrative expenses in the remaining months of 2017; (ii) the additional depreciation charge to be recorded by our Group in relation to the new Shanghai studio; and (iii) the additional professional fees to be recorded in connection with the Listing (including but not limited to auditor's remuneration, compliance adviser fee, annual listing fee, fees in relation to publication of corporate communications in compliance with the annual obligations of our Company under the GEM Listing Rules and retained lawyers' fee), and hence our Group may record a loss in 2017, there has been no material adverse change in our financial or trading position or prospects of our Company or its subsidiaries since 30 June 2017, the end of the reporting period of our Accountant's Report set out in Appendix I to this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our principal objective is to promote our position further as an industry leader. We will acquire advanced and modern visual, lighting and audio equipment so that we will be able to deliver technologically advanced visual, lighting, audio and staging effects in our customers' events. We will expand the scope of our services by developing and setting up a new backdrop production team. We will also open a studio in Shanghai for the demonstration of our services with a view to penetrating further in the PRC market. With this, we hope to have opportunities to increase our participation in well-known events and to enhance our corporate profile. Our Group will endeavor to achieve our business objectives and adopt the following business strategies and plans during the period from the Latest Practicable Date to 31 December 2019.

OUR BUSINESS STRATEGIES

For a detailed description of our business objectives and strategies, please refer to the "Business – Our Business Strategies" in this prospectus.

REASONS FOR THE LISTING

Our Directors believe that the Listing will enhance our fund raising abilities and the net proceeds of the issue of the Offer Shares from the Share Offer will strengthen our financial position and will enable us to implement our business plans set out in "Implementation Plans" in this section. A public listing status on the Stock Exchange will offer us access to capital markets for corporate finance exercise to assist in future business development and strengthen our competitiveness, since a number of our competitors located in the PRC are publicly listed companies. The Listing will also offer our Company with a broader shareholder base which may potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices will be further strengthened following the Listing.

Major equipment of our Group had a useful life of 5-12 years. Our Group has a long term vision for the establishment and development of the Shanghai studio. To build capacity and sustainability, Our Directors considers that, given the long term nature of the capital expenditure, it will be in the best interests of our Group to finance such long term capital expenditure with equity financing which is long term in nature instead of bank borrowings.

Our Group had been acquiring visual, lighting and audio equipment from time to time as financed by internal resources as well as bank borrowings. The finance expenses in relation to our Group's borrowings were amounted to HK\$4.5 million and HK\$4.3 million for FY2015 and FY2016 respectively. Should our Group be able to finance a major part of its future capital expenditure by way of equity financing, the finance cost of our Group will see to be reduced. In addition, in view of the increasing trend of interest rate, our Directors consider that the cost of debt financing will increase in the coming years. It would, therefore, be prudent to consider equity fund raising to finance the majority portion of the costs and expenses in connection with the acquisition of equipment and the establishment and development of the Shanghai studio.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Furthermore, a public listing status will also enhance our corporate profile and assist in the promotion and reinforcement of our corporate and brand recognition and image and our market reputation, which will further strengthen our market position. We believe that a public listing status could also attract potential customers, enhance our credibility with our existing and potential business partners, as the potential customers and business partners are more willing to establish business relationships with listed companies.

Despite the initial listing expenses accounting for approximately 44% of our Group's gross proceeds from the Share Offer (based on the mid-point of the Offer Price range), our Directors believe that the listing of the Shares on GEM would provide a platform for our Group to access the capital market for future secondary fund raising through the issuance of shares and for debt securities to fund its further expansion and long-term development needs. This could involve lower financing cost as opposed to interest-bearing bank loans and enhance our Group's ability to obtain favourable terms of bank financing as a listed entity as compared to a private entity. Accordingly, our Directors consider that the Listing is beneficial to the future growth and development of our Group in the long-run.

USE OF PROCEEDS

The estimated net proceeds of the Share Offer we will receive, assuming an Offer Price is fixed at low-end, mid-point and high-end of the Offer Price range stated in this prospectus after deduction of underwriting fees and commissions and estimated expenses by us which are estimated to be approximately HK\$24.2 million, HK\$25.0 million and HK\$25.9 million respectively in connection with the Share Offer, are set out in the table below.

Estimated net proceeds of the Share Offer (<i>HK\$ million</i>)		
(assuming the Offer Size Adjustment Option is not exercised)		
Offer Price of HK\$0.40 per Offer Share (low-end of Offer Price)	Offer Price of HK\$0.50 per Offer Share (mid-point of Offer Price)	Offer Price of HK\$0.60 per Offer Share (high-end of Offer Price)
15.8	25.0	34.1

If the Offer Size Adjustment Option is exercised in full, the net proceeds from the Share Offer will increase to approximately HK\$31.8 million, assuming an Offer Price of HK\$0.5 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the net proceeds of the Share Offer, including the proceeds from the exercise of the Offer Size Adjustment Option in full, will increase to approximately HK\$42.5 million or decrease to HK\$21.4 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We intend to use the net proceeds of the Share Offer (assuming the Share Offer Price of HK\$0.50 per Offer Share, being the mid-point of the Offer Price range and before any exercise of the Offer Size Adjustment Option) for the following purposes:

	<i>HK\$ million</i>
Acquisition of advanced visual, lighting and audio equipment	18.3
For general application	12.3
● Visual equipment (including but not limited to LED display equipment, projectors, video processor and event controllers)	11.5
● Lighting equipment (including but not limited to special effect lighting)	0.1
● Audio equipment (including but not limited to audio set)	0.4
● Cables and accessories	0.3
For Shanghai studio (<i>Note</i>)	6.0
● Visual equipment (including but not limited to media server, system package, laser beam projector)	4.1
● Lighting equipment (including but not limited to lighting control panel, general lighting and special effect lighting)	0.2
● Audio equipment (including but not limited to speakers, amplifier and audio control system)	1.4
● Cables and accessories	0.3
Setting up a new studio in Shanghai	2.8
● Renovation and other set-up cost	0.7
● Monthly rental and other operating cost up to 30 June 2019	2.1
Improving operating efficiency – development of a new backdrop construction team and hiring technicians	1.5
● Conduct feasibility study and obtaining relevant legal advice	0.35
● Marketing and on-going operation	1.15
General working capital and other corporate use	2.4

Note: All the equipment to be acquired for the Shanghai Studio will be of top quality, multi-functionality and/or latest model/generation/technologies and will be applied towards pre-on-stage live demonstration.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Set out below is the estimated timing of using the net proceeds from the Share Offer:

	From the Listing Date to					Total HK\$ million	Approximate percentage of net proceeds
	31 December 2017 HK\$ million	30 June 2018 HK\$ million	31 December 2018 HK\$ million	30 June 2019 HK\$ million	31 December 2019 HK\$ million		
Acquisition of advanced visual, lighting and audio equipment (including equipment to be used in the new studio in Shanghai)	2.8	5	5	5.5	–	18.3	73.2%
Setting up a new studio in Shanghai (excluding the cost of equipment purchase to display in the studio)	1	0.6	0.6	0.6	–	2.8	11.2%
Improving operating efficiency – development of new backdrop construction team and hiring technicians	0.35	0.35	0.35	0.45	–	1.5	6.0%
General working capital and other corporate uses	0.6	0.6	0.6	0.6	–	2.4	9.6%
Total :	4.75	6.55	6.55	7.15	–	25.0	100%

We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

IMPLEMENTATION PLANS

In pursuance of the business objectives set out above, the implementation plans of our Group are set forth below during the period from the Latest Practicable Date to 31 December 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in “Implementation Plans – Bases and Key Assumptions of the Business Plans” in this section. These bases and assumptions are subject to uncertainties, variables and unpredictable factors, in particular the risk factors set out in “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will be materialized in accordance with the expected time frame or that the business objectives of our Group will be accomplished at all.

(a) For the period from the Latest Practicable Date to 31 December 2017

Business objective(s)	Implementation plan(s)	Source of fund
Acquisition of the advanced visual, lighting and audio equipment	<ul style="list-style-type: none">● Participate in visual, lighting and audio equipment exhibitions and obtain knowledge in relation to the latest technology● Source appropriate vendors for the latest visual, lighting and audio equipment and to obtain quotations● Arrange site visit and testing of the equipment● Confirming order of the equipment	<ul style="list-style-type: none">● To be funded by net proceeds amounted to HK\$2.8 million and internal resources amounted to HK\$5.2 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business objective(s)	Implementation plan(s)	Source of fund
Setting up a new studio in Shanghai	<ul style="list-style-type: none">● Locating appropriate leasehold property● Research on the land usage and property usage as well as the relevant building rules and regulations and specification of the target property● Agree on lease terms and enter into lease agreement (including payment of rental deposit and advance monthly rental)● Work on interior design and studio set-up (including the procurement of equipment)● Research on the latest market audio and visual effect development	<ul style="list-style-type: none">● To be funded by net proceeds amounted to HK\$1.0 million
Improving operating efficiency – development of new backdrop construction team and hiring technicians	<ul style="list-style-type: none">● Conduct feasibility study on the backdrop industry including study on the relevant rules and regulations governing the backdrop industry● Obtain legal advice on the relevant license required to set up our own in-house backdrop team and to obtain the relevant license (if required)	<ul style="list-style-type: none">● To be funded by net proceeds amounted to HK\$0.35 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

(b) For the six months period from 1 January 2018 to 30 June 2018

Business objective(s)	Implementation plan(s)	Source of fund
Acquisition of the advanced visual, lighting and audio equipment	<ul style="list-style-type: none"> ● Participate in visual, lighting and audio equipment exhibitions and obtain knowledge in relation to the latest technology ● Source appropriate vendors for the latest visual, lighting and audio equipment and to obtain quotations ● Arrange site visit and testing of equipment ● Confirming order of the equipment ● Delivery of the equipment ordered in 2017 ● Arrange training provided by the vendor for our technical staff in handling of the new equipment 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$5.0 million
Setting up a new studio in Shanghai	<ul style="list-style-type: none"> ● Renovation of studio ● Delivery and installation of equipment ● Operation of new studio 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$0.6 million
Improving operating efficiency – development of new backdrop construction team and hiring technicians	<ul style="list-style-type: none"> ● Applying for relevant license required for operating the backdrop construction team ● Recruitment of backdrop technicians ● Marketing of our Group new backdrop construction team 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$0.35 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

(c) For the six months period from 1 July 2018 to 31 December 2018

Business objectives	Implementation plans	Source of fund
Acquisition of the advanced visual, lighting and audio equipment	<ul style="list-style-type: none"> ● Participate in visual, lighting and audio equipment exhibitions and obtain knowledge in the latest technology ● Source appropriate vendors for the latest visual, lighting and audio equipment and to obtain quotations ● Arrange site visit and testing of equipment ● Confirming order of the equipment ● Delivery of equipment ordered in the first half year of 2018 ● Arrange training provided by the vendor for our technical staff in handling of the new equipment 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$5.0 million
Setting up a new studio in Shanghai	<ul style="list-style-type: none"> ● Operation of new studio 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$0.6 million
Improving operating efficiency – development of new backdrop construction team and hiring technicians	<ul style="list-style-type: none"> ● New backdrop team in operation 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$0.35 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

(d) For the six months period from 1 January 2019 to 30 June 2019

Business objectives	Implementation plans	Source of fund
Acquisition of the advanced visual, lighting and audio equipment	<ul style="list-style-type: none"> ● Participate in visual, lighting and audio equipment exhibitions and obtain knowledge in the latest technology ● Source appropriate vendors for the latest visual, lighting and audio equipment and to obtain quotations ● Arrange site visit and testing of equipment ● Confirming order of the equipment ● Delivery of equipment ordered in the second half year of 2018 ● Arrange training provided by the vendor for our technical staff in handling of the new equipment 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$5.5 million
Setting up a new studio in Shanghai	<ul style="list-style-type: none"> ● Continue the operation of new studio 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$0.6 million
Improving operating efficiency – development of new backdrop construction team and hiring technicians	<ul style="list-style-type: none"> ● New backdrop team in operation 	<ul style="list-style-type: none"> ● To be funded by net proceeds amounted to HK\$0.45 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

(e) For the six months period ended from 1 July 2019 to 31 December 2019

Business objectives	Implementation plans	Source of fund
Acquisition of the advanced visual, lighting and audio equipment	<ul style="list-style-type: none"> ● Participate in visual, lighting and audio equipment exhibitions and obtain knowledge in the latest technology ● Source appropriate vendors for the latest visual, lighting and audio equipment and to obtain quotations ● Arrange site visit and testing of equipment ● Confirming order of the equipment ● Delivery of equipment ordered in the first half of 2019 ● Arrange training provided by the vendor for our technical staff in handling of the new equipment 	<ul style="list-style-type: none"> ● To be funded by internal resources and available banking facilities amounted to HK\$4.5 million
Setting up a new studio in Shanghai	<ul style="list-style-type: none"> ● Continue the operation of new studio 	<ul style="list-style-type: none"> ● To be funded by internal resources amounted to HK\$0.60 million
Improving operating efficiency – development of new backdrop construction team and hiring technicians	<ul style="list-style-type: none"> ● New backdrop team in operation 	<ul style="list-style-type: none"> ● To be funded by internal resources amounted to HK\$0.45 million

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is our intention that such net proceeds will be deposited into interest bearing bank accounts with licensed financial institutions in Hong Kong.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Bases and key assumptions of the business plans

The business objectives and strategies set out by our Directors are based on the following principal bases and assumptions:

- Our Group will have sufficient financial resources to meet the planned capital and operating expenditure and business development requirements during the period to which the business objectives relate;
- There will be no material change in existing laws and regulations, or other government policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- There will be no change in the funding requirement for each of the implementation plans described in “Implementation Plans” in this section from the amount as estimated by our Directors;
- There will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- There will be no disasters, natural, political, legal or otherwise, which would materially disrupt the business or operations of our Group;
- Our Group will not be materially affected by the risk factors as set out in “Risk Factors” in this prospectus;
- Our Group will be able to retain key staff in the management and the main operational departments; and
- Our Group will be able to continue our operations in substantially the same manner as our Group had been operated during the Track Record Period and our Group will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Halcyon Securities Limited

Great Roc Capital Securities Limited

Grand View Securities Limited

KGI Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 10,000,000 Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price subject to and upon the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) on or about the Price Determination Date), the Public Offer Underwriters have agreed severally, but not joint or jointly and severally, to subscribe or procure subscribers to subscribe for Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers to subscribe for the Public Offer Shares are subject to termination if all or any of the following termination events shall have occurred at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), whereupon, the Joint Lead Managers may (for themselves and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement with immediate effect by notice in writing to our Company to that effect.

UNDERWRITING

The termination events mentioned above are as follows:

- A. there comes to the notice of the Sole Sponsor, the Joint Lead Managers or any of the Public Offer Underwriters that:
 - A1. any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement given by, *inter alia*, our Company or any of our Controlling Shareholders or our executive Directors to be untrue, inaccurate or misleading when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and/or the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
 - A2. any statement contained in this prospectus and the Application Forms, the formal notice or any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading; or
 - A3. any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading, and which is considered, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
 - A4. any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), an omission in the context of the Share Offer; or
 - A5. any event, act or omission which gives or is likely to give rise to any liability of, *inter alia*, our Company or any of our Controlling Shareholders or our executive Directors under the Public Offer Underwriting Agreement arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or

UNDERWRITING

- A6. any breach by any party to the Public Offer Underwriting Agreement (other than the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners or the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), is material; or
- A7. our Company withdraws this prospectus; or
- A8. all or any of the experts set out in “Statutory and General Information – E. Other Information – 6. Qualifications of experts” in Appendix IV of this prospectus have withdrawn their respective consents to the issue of this prospectus with the inclusion of their reports, letters, and/or legal opinions (as the case may be) and references to their names included in the form and context in which they respectively appear; or
- A9. non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws and regulations; or
- A10. there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group pursuant to the indemnities referred to in the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement; or
- A11. a prohibition is imposed on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Share Offer; or
- B. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - B1. any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the Cayman Islands, the BVI, the PRC, the U.S., the United Kingdom, any member of the European Union, or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of our Group or otherwise material in the context of Public Offer (collectively, the “**Relevant Jurisdictions**”); or

UNDERWRITING

- B2. any change in, or any event or series of events or development resulting or likely to result in any change in local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects in any of the Relevant Jurisdictions; or
- B3. any change in the conditions of any Relevant Jurisdictions or the international equity securities or other financial markets; or
- B4. any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- B5. the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- B6. any change or development involving a prospective change in any forms of taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any of the Relevant Jurisdictions; or
- B7. the imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, for or on any of the Relevant Jurisdictions; or
- B8. any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- B9. any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, outbreak of infectious disease, calamity, crisis, terrorism, strike or lock-out, (whether or not covered by insurance) involving directly or indirectly any of the Relevant Jurisdictions; or
- B.10. any change or development involving a materialisation of, any of the risks set out in “Risk Factors” in this prospectus; or
- B.11. any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly in any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or war; or
- B.12. any Directors being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship; or

UNDERWRITING

- B.13. the chairman or chief executive officer or financial controller of our Company vacating his or her office; or
- B.14. a contravention by any member of our Group of the GEM Listing Rules or applicable laws and regulations; or
- B.15. the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Offer Shares) pursuant to the Companies Ordinance, the CWUMPO or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- B.16. an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- B.17. any other changes whether or not ejusdem generis with any of the foregoing, which, in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):
- (1) is or may be, or is very likely to be, materially adverse to or materially or prejudicially affect the business, financial, trading conditions or prospects of our Group; or
 - (2) has or may have, or is very likely to have a material adverse effect on the success of the Public Offer, the Placing, the Share Offer, the level of the Public Offer Shares being applied for or accepted, or the distribution of the Offer Shares or the market price of the Shares following the Listing; or
 - (3) makes or will or may make it impracticable, inadvisable, inexpedient or not commercially viable to proceed with or market the Public Offer, the Placing or the Share Offer.

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or any change of the value of Hong Kong currency under such system or a devaluation of the RMB against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

UNDERWRITING

- (ii) any fluctuations in Hong Kong, the PRC, the U.S. or international equity securities or other financial markets, whether or not within the normal range therefor, may be considered as a change of market conditions or prospects referred to above.

UNDERTAKINGS

For the purpose of this paragraph headed “Undertakings”, unless the context otherwise requires, all references to “he” or “him” or “his” shall include references to all other genders.

Undertakings under the GEM Listing Rules

By our Controlling Shareholders

Under Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that he shall not and shall procure that the relevant registered holder(s) shall not:

- (1) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he is shown by this prospectus to be the beneficial owner; or
- (2) in the period of six months commencing on the date on which the period referred to in paragraph (1) immediately above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company referred to in paragraph (1) immediately above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be a controlling shareholder (as defined under the GEM Listing Rules),

save as excluded from the above restrictions under Rule 13.16A(1) of the GEM Listing Rules or otherwise permitted under Rule 13.18 of the GEM Listing Rules.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange, inter alia, that, at any time during the relevant periods specified in Rule 13.16A(1) of the GEM Listing Rules:

- (1) in the event that he pledges or charges any direct or indirect interests in the relevant securities referred to in Rule 13.16A(1) of the GEM Listing Rules pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) (the “**Banking Ordinance**”) as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to

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Rule 13.18(4) of the GEM Listing Rules, he must immediately inform our Company of such pledge or charge together with the number and class of the securities so pledged or charged, the purpose for which the pledge or charge is made and any other relevant details, and in the event that the pledgee or chargee has disposed of or intends to dispose of any pledged or charged securities, relevant details of the same, including the number of securities affected or to be affected; and

- (2) having pledged or charged any interest in securities under paragraph (1) immediately above, he must inform our Company immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in paragraphs (1) and (2) immediately above by any of our Controlling Shareholders and subject to the then requirements of the GEM Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible.

Restriction under the GEM Listing Rules

Pursuant to Rule 17.29 of the GEM Listing Rules, the Company has undertaken to the Stock Exchange that except as otherwise provided for in that rule, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings under the Public Offer Underwriting Agreement

By our Controlling Shareholders and the Trustee

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders and the Trustee has jointly and severally undertaken to our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters that, except pursuant to the Share Offer or permitted under the GEM Listing Rules:

1. he shall not, and shall procure that none of his associates or company controlled by him or any of his associates, nominees or trustees holding in trust for him will, at any time during the period commencing from the date by reference to which disclosure of his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), either directly or indirectly, conditionally or unconditionally, any of the Shares or other securities

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of our Company or any interest therein held by him or his associates (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Shares or other securities of our Company or any interest therein) as of the Listing Date (the “**Relevant Securities**”), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which he may acquire or become interested in following the Listing Date provided further that any such acquisition would not result in any breach of **Rule 11.23(7)** of the GEM Listing Rules;

2. he shall not, and shall procure that none of his associates or any company controlled by him or any of his associates, nominees or trustees holding in trust for him will, at any time during the six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), either directly or indirectly, conditionally or unconditionally, any of the Relevant Securities, or enter into any swap or other arrangement that the transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing, or announce any intention to do so, if, immediately following such transactions, it will result in our controlling shareholders (as defined in the GEM Listing Rules) and/or any companies controlled by him, his associates, nominee or trustee when taken together, would cease to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company, and in the event of a disposal by him of any of the Relevant Securities during the Second Lock-up Period, he will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company; and
3. without prejudice to the undertakings as referred to in paragraphs (1) and (2) immediately above, during the First Lock-up Period and the Second Lock-up Period, he shall:
 - (i) when he pledges or charges or otherwise create any rights of encumbrances over the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Rule 13.18(1) of the GEM Listing Rules for bona fide commercial loan, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in writing of such pledge or charge or creation of the rights of encumbrances together with the number of Shares or

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securities so pledged or charged and all other information as requested by our Company, the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and make relevant disclosure in such manner as required by the GEM Listing Rules; and

- (ii) prior to any pledge or charges or otherwise create any rights of encumbrances over the Relevant Securities in favour of any third party other than an authorised institution (as defined in the Banking Ordinance), he shall obtain prior written consent from our Company, the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and make relevant disclosure in such manner as required by the GEM Listing Rules; and
 - (iii) subsequent to the pledge or charge or creation of rights or encumbrances over the Relevant Securities as mentioned in (i) and (ii) immediately above when he receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in (i) and (ii) immediately above will be disposed of, immediately inform our Company in writing of such indications, and inform the Stock Exchange, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in writing as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications; and
4. each of our Controlling Shareholders and the Trustee will procure that the relevant registered holder(s) of securities comply with all restrictions and requirements under the GEM Listing Rules (or any replacement or amendment thereto made from time to time) on the disposal by him or by the registered holder(s) of any securities in respect of which he is, or is shown in the Prospectus to be, the beneficial owner.

By our Company

Under the Public Offer Underwriting Agreement, our Company has undertake to and covenanted with the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters that, and each of our Controlling Shareholders, the Trustee and the Executive Directors jointly and severally undertakes and covenants with the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters to procure (so far as he is able to do so) that, without the prior written consent of the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the exercise of the Offer Size Adjustment

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Option or the exercise of options as may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the memorandum and articles of association of our Company or any consolidation, sub-division or capital reduction of the Shares, our Company shall not:

1. at any time during the First Lock-up Period, issue or grant (conditionally or unconditionally) any Share or any warrant, option, contract or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company;
2. at any time during the First Lock-up Period, subject to the GEM Listing Rules and the Takeovers Code, make or agree to make any buy back of any Shares or other securities of our Company; or
3. at any time during the Second Lock-up Period, issue or grant (conditionally or unconditionally) any Share, warrant, option, contract or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company so as to result in our controlling shareholders (as defined in the GEM Listing Rules) (together with any of their associates), either individually or taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company, or cease to hold, directly or indirectly a controlling interest of 30% or more or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him or any of his associates which owns any Shares. In the event our Company issue or grant any such Share, warrant, option, contract or right during the Second Lock-up Period, our Company will take all reasonable steps to ensure that such an issue or grant will not create a disorderly or false market in the securities of our Company.

THE PLACING

The Placing Underwriting Agreement

In connection with the Placing, it is expected that, among others, our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters will enter into the Placing Underwriting Agreement, under which our Company will offer the Placing Shares for placing with certain professional, institutional and other investors at the Offer Price and the Placing Underwriters will agree to severally subscribe for the Placing Shares on and subject to terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described in this section.

UNDERWRITING

COMMISSION AND EXPENSES

Under the Public Offer Underwriting Agreement, we will pay the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) an underwriting commission at the rate ranging from 4.25% to 5.75% of the aggregate Offer Price payable for the Public Offer Shares, out of which the Public Offer Underwriters will pay all sub-underwriting commission (if any).

We will also pay the Sole Sponsor a sponsorship fee in relation to the Share Offer.

Assuming the Offer Size Adjustment Option is not exercised and based on the Offer Price of HK\$0.50 per Offer Share, being the mid-point of the indicative range of the Offer Price between HK\$0.40 and HK\$0.60, we estimate that we will pay in aggregate approximately HK\$25.0 million for the above fee and commission, together with the GEM Listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, translation and other expenses relating to the Share Offer.

SOLE SPONSOR'S, JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee. The Joint Lead Managers (for themselves and on behalf of the Underwriters) will receive an underwriting commission. Particulars of these fee and underwriting commission are set forth in "Commission and Expenses" in this section.

Our Company appointed the Sole Sponsor as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated in accordance with its terms and conditions.

Save as disclosed above, none of the Sole Sponsor, the Joint Lead Managers nor any of the Public Underwriters is interested, legally or beneficially, in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or any interest in the Placing.

THE SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 100,000,000 Offer Shares will be made available under the Share Offer, of which 90,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and other investors under the Placing. The remaining 10,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement.

Further details of the underwriting are set out in “Underwriting” in this prospectus. Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters (subject to satisfaction or waiver of the conditions provided in the Placing Underwriting Agreement).

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Placing is expected to be subject to substantially the same conditions (other than condition (iii)) as stated in “Conditions of the Share Offer” in this section.

The Public Offer

Our Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong at the Offer Price under the Public Offer, representing 10% of the total number of Offer Shares being initially offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of the conditions provided in the Public Offer Underwriting Agreement). Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK\$0.60 per Offer Share, plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Public Offer Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Placing Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 100% of the Shares initially comprised in the Public Offer (i.e. 10,000,000 Public Offer Shares) are liable to be rejected.

Our Company, our Directors, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Public Offer Shares initially available for subscription under the Public Offer, then Placing Shares will be reallocated to the Public Offer from the Placing, so that the total

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

number of Public Offer Shares available for subscription under the Public Offer will be increased to 30,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Public Offer Shares initially available for subscription under the Public Offer, then Placing Shares will be reallocated to the Public Offer from the Placing, so that the number of Public Offer Shares available for subscription under the Public Offer will be increased to 40,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Public Offer Shares initially available for subscription under the Public Offer, then Placing Shares will be reallocated to the Public Offer from the Placing, so that the number of Public Offer Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers. Subject to the foregoing paragraph, the Joint Lead Managers may (after consultation with our Company and the Sole Sponsor) in their discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In addition, if the Public Offer is not fully subscribed, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate to the Placing all or any unsubscribed Public Offer Shares in such amounts as they deem appropriate (after consultation with our Company and the Sole Sponsor).

OFFER SIZE ADJUSTMENT OPTION

Our Company will grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Joint Lead Managers on behalf of the Placing Underwriters at any time during the period from the date of the Placing Underwriting Agreement to before 6:00 p.m. on the Business Day immediately before the date of the announcement of the level of indication of interest in the Placing or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any over allocation in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Joint Lead Managers in their absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, an additional 15,000,000 Shares will be issued

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

resulting in a total of 415,000,000 Shares in and the shareholding of the Shareholders will be diluted by approximately 3.6% following completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option in full.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Joint Lead Managers on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

OFFER PRICE

The Offer Price will not be more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share.

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Wednesday, 13 December 2017 and in any event not later than Tuesday, 19 December 2017. If the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will not proceed.

The Joint Lead Managers (for themselves and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.avpromotions.com an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Assuming that the Offer Size Adjustment Option is not exercised at all, the net proceeds from the Share Offer based on the Offer Price of HK\$0.50 per Offer Share (being the mid-point of the stated range of the Offer Price) are estimated to be approximately HK\$25.0 million, after deduction of the underwriting commission and other expenses relating to the Share Offer and the Listing payable by our Company.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.avpromotions.com on Wednesday, 20 December 2017.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.60 per Offer Share, plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,030.23 per board lot of 5,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.60 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in "How to apply for Public Offer Shares" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and such grant and permission not having been subsequently revoked prior to the commencement of dealings in the Offer Shares on GEM;
- (ii) the Offer Price having been agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and the entering into of the Price Determination Agreement on or before the Price Determination Date and such agreement not having been subsequently terminated;
- (iii) the entering into of the Placing Agreement on or before the Price Determination Date; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements having become unconditional and remaining unconditional and not having been terminated in accordance with their respective terms).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If such conditions have not been fulfilled or waived by the Joint Lead Managers (for themselves and on behalf of the other Underwriters) prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.avpromotions.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in "How to Apply for Public Offer Shares – 10. Refund of Application Monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 21 December 2017. Shares will be traded in board lots of 5,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8419.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may use a **WHITE** or **YELLOW** Application Form.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares and/or of our subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, complete and sign the **YELLOW** Application Form.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 8 December 2017 to 12:00 noon on Wednesday, 13 December 2017 from:

- (i) the following office of the Public Offer Underwriters:

Halcyon Securities Limited	11/F, 8 Wyndham Street, Central Hong Kong
Great Roc Capital Securities Limited	Suite 1601-1603 16/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Central Hong Kong
Grand View Securities Limited	Suite 6209 62/F, The Center 99 Queen's Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

KGI Capital Asia Limited 41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

- (ii) any of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 8 December 2017 until 12:00 noon on Wednesday, 13 December 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – AV Promotions Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 8 December 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, 9 December 2017 – 9:00 a.m. to 1:00 p.m.
- Monday, 11 December 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 12 December 2017 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 13 December 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 13 December 2017, the last application day or such later time as described in "7. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Joint Bookrunners and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the CWUMPO and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form; and (ii) you have due authority to sign the Application Form on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

5. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form is made for your benefit. If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 13 December 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 13 December 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

8. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer on Wednesday, 20 December 2017 on our Company’s website at **www.avpromotions.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.avpromotions.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 20 December 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 20 December 2017 to 12:00 midnight on Tuesday, 26 December 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 20 December 2017 to Wednesday, 27 December 2017 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 20 December 2017 to Friday, 22 December 2017 at all the receiving bank’s designated branches and sub-branches.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the CWUMPO (as applied by Section 342E of the CWUMPO) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Joint Bookrunners or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

10. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and

HOW TO APPLY FOR PUBLIC OFFER SHARES

Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 20 December 2017.

11. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) .

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 20 December 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Thursday, 21 December 2017 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 20 December 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 20 December 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Wednesday, 20 December 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 20 December 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

12. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AV PROMOTIONS HOLDINGS LIMITED AND HALCYON CAPITAL LIMITED

Introduction

We report on the historical financial information of AV Promotions Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-60, which comprises the consolidated statements of financial position as at 31 December 2015 and 2016 and 30 June 2017, the company statement of financial position as at 30 June 2017, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 8 December 2017 (the "Prospectus") in connection with the placing and public offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

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of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 30 June 2017 and the consolidated financial position of the Group as at 31 December 2015 and 2016 and 30 June 2017 and of Group’s consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant

matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 28 to the Historical Financial Information which states that no dividends have been paid by AV Promotions Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
8 December 2017

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this Accountant's Report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		Six months ended 30 June	
		2015	2016	2016	2017
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	6	179,714	183,979	84,985	107,236
Cost of sales	8	<u>(141,671)</u>	<u>(140,808)</u>	<u>(65,407)</u>	<u>(83,636)</u>
Gross profit		38,043	43,171	19,578	23,600
Other (losses)/gains, net	7	(1,655)	613	512	(235)
Selling expenses	8	(3,735)	(3,438)	(1,949)	(1,629)
Administrative expenses	8	<u>(24,557)</u>	<u>(27,573)</u>	<u>(13,715)</u>	<u>(20,721)</u>
Operating profit		8,096	12,773	4,426	1,015
Finance income	10	724	592	289	113
Finance expenses	10	<u>(4,524)</u>	<u>(4,327)</u>	<u>(2,139)</u>	<u>(2,200)</u>
Finance expenses – net		<u>(3,800)</u>	<u>(3,735)</u>	<u>(1,850)</u>	<u>(2,087)</u>
Profit/(loss) before income tax		4,296	9,038	2,576	(1,072)
Income tax expenses	11	<u>(1,096)</u>	<u>(2,758)</u>	<u>(855)</u>	<u>(1,974)</u>
Profit/(loss) for the year/period attributable to owners of the Company		<u>3,200</u>	<u>6,280</u>	<u>1,721</u>	<u>(3,046)</u>
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to owners of the Company (HK\$)	12	<u>3.2</u>	<u>6.3</u>	<u>1.7</u>	<u>(3.0)</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		Six months ended 30 June	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i> <i>(unaudited)</i>	2017 <i>HK\$'000</i>
Profit/(loss) for the year/period		3,200	6,280	1,721	(3,046)
Other comprehensive (loss)/ income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences		(1,560)	(2,009)	(669)	1,032
Reclassification of exchange reserve upon disposal of a subsidiary	26	—	(225)	—	—
		<u>(1,560)</u>	<u>(2,234)</u>	<u>(669)</u>	<u>1,032</u>
Total comprehensive income/(loss) for the year/period attributable to owners of the Company		<u>1,640</u>	<u>4,046</u>	<u>1,052</u>	<u>(2,014)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at
	Note	2015	2016	30 June
		HK\$'000	HK\$'000	2017
				HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	72,747	80,993	84,270
Prepayments for purchase of plant and equipment	16	3,838	2,255	623
Deferred income tax assets	14	1,170	–	–
		<u>77,755</u>	<u>83,248</u>	<u>84,893</u>
Current assets				
Investments in insurance contracts	18	34,923	–	–
Trade receivables	16	58,218	53,413	95,787
Prepayments, deposits and other receivables	16	6,983	2,852	5,065
Amount due from a director	31(c)	5,255	–	–
Amount due from a related company	31(c)	62,402	–	–
Pledged time deposits	17(b)	18,994	61,770	26,000
Cash and cash equivalents	17(a)	14,544	72,447	24,838
		<u>201,319</u>	<u>190,482</u>	<u>151,690</u>
Total assets		<u><u>279,074</u></u>	<u><u>273,730</u></u>	<u><u>236,583</u></u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	19	–	–	–
Exchange reserve	20	(342)	(2,576)	(1,544)
Other reserves	20	5,314	5,314	5,314
Retained earnings		<u>27,496</u>	<u>33,776</u>	<u>30,730</u>
Total equity		<u>32,468</u>	<u>36,514</u>	<u>34,500</u>
LIABILITIES				
Non-current liabilities				
Provision for long service payments	21	707	500	500
Deferred income tax liabilities	14	10,277	11,223	9,993
Borrowings	22	–	44,000	44,261
		<u>10,984</u>	<u>55,723</u>	<u>54,754</u>
Current liabilities				
Trade and bills payables	21	51,066	51,444	40,668
Accruals and other payables	21	4,468	9,789	4,685
Borrowings	22	176,187	118,144	96,997
Derivative financial instruments	23	1,051	–	–
Current income tax liabilities		<u>2,850</u>	<u>2,116</u>	<u>4,979</u>
		<u>235,622</u>	<u>181,493</u>	<u>147,329</u>
Total liabilities		<u><u>246,606</u></u>	<u><u>237,216</u></u>	<u><u>202,083</u></u>
Total equity and liabilities		<u><u>279,074</u></u>	<u><u>273,730</u></u>	<u><u>236,583</u></u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 30 June 2017 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	24	<u>30,843</u>
		----- 30,843
Current assets		
Prepayments	16	<u>1,667</u>
		----- <u>1,667</u>
Total assets		<u><u>32,510</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	19	-
Other reserve	20	30,843
Accumulated loss		<u>(12,351)</u>
Total equity		----- 18,492
Current liabilities		
Accruals and other payables	21	1,095
Amounts due to subsidiaries	25	<u>12,923</u>
Total liabilities		----- <u>14,018</u>
Total equity and liabilities		<u><u>32,510</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i> <i>(Note 20)</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2015	—	1,218	5,314	24,296	30,828
Comprehensive income					
Profit for the year	—	—	—	3,200	3,200
Other comprehensive loss					
Currency translation differences	—	(1,560)	—	—	(1,560)
Total comprehensive income/(loss)	—	(1,560)	—	3,200	1,640
As at 31 December 2015	—	(342)	5,314	27,496	32,468
As at 1 January 2016	—	(342)	5,314	27,496	32,468
Comprehensive income					
Profit for the year	—	—	—	6,280	6,280
Other comprehensive loss					
Currency translation differences	—	(2,009)	—	—	(2,009)
Reclassification of exchange reserve upon disposal of a subsidiary	—	(225)	—	—	(225)
Total comprehensive income/(loss)	—	(2,234)	—	6,280	4,046
As at 31 December 2016	—	(2,576)	5,314	33,776	36,514

APPENDIX I

ACCOUNTANT'S REPORT

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i> <i>(Note 20)</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2017	—	(2,576)	5,314	33,776	36,514
Comprehensive income					
Loss for the period	—	—	—	(3,046)	(3,046)
Other comprehensive loss					
Currency translation differences	—	1,032	—	—	1,032
Issuance of shares (<i>Note 19</i>)	—	—	—	—	—
Total comprehensive income/(loss)	—	1,032	—	(3,046)	(2,014)
As at 30 June 2017	—	(1,544)	5,314	30,730	34,500
As at 1 January 2016	—	(342)	5,314	27,496	32,468
Comprehensive income					
Profit for the period (unaudited)	—	—	—	1,721	1,721
Other comprehensive loss					
Currency translation differences (unaudited)	—	(669)	—	—	(669)
Total comprehensive income/(loss)	—	(669)	—	1,721	1,052
As at 30 June 2016 (unaudited)	—	(1,011)	5,314	29,217	33,520

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		Six months ended 30 June	
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 <i>(unaudited)</i>	2017 HK\$'000
Cash flows from operating activities					
Profit/(loss) before income tax		4,296	9,038	2,576	(1,072)
Adjustments for:					
Finance expenses	10	4,524	4,327	2,139	2,200
Depreciation of property, plant and equipment	13	12,973	14,687	6,497	7,001
Bank interest income	10	(724)	(592)	(289)	(113)
Provision for impairment of trade receivables	16	421	–	–	–
(Gains)/losses on disposals of property, plant and equipment	7	(70)	107	44	–
Losses/(gains) on derivative financial instruments	7	2,249	(162)	(162)	–
Reversal of provision for long services payment	9	(256)	(207)	–	–
Interest income from investments in insurance contracts	7	(1,111)	(710)	(481)	–
Changes in value on investments in insurance contracts	7	(240)	(215)	(120)	–
Gain on disposal of a subsidiary	7	–	(238)	–	–
Unrealised exchange losses		1,066	1,224	446	–
Operating profits before working capital changes		23,128	27,259	10,650	8,016
Changes in working capital:					
Trade receivables		1,295	1,706	4,616	(41,102)
Prepayments, deposits and other receivables		26,433	1,764	(15,325)	(525)
Trade and bills payables		(6,299)	10,993	29,854	(11,398)
Accruals and other payables		(170)	5,982	3,313	(5,239)
Cash generated from/(used in) operation		44,387	47,704	33,108	(50,248)
Income tax paid		(3,170)	(2,361)	(562)	(464)
Net cash generated from/(used in) operating activities		41,217	45,343	32,546	(50,712)

APPENDIX I
ACCOUNTANT'S REPORT

	Note	Year ended 31 December		Six months ended 30 June	
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(5,639)	(27,946)	(14,246)	(9,674)
Proceeds from disposals of property, plant and equipment	13	269	1,619	1,405	–
Bank interest income		724	592	289	113
Release of/(addition in) pledged time deposits		7,543	(44,000)	–	35,770
(Advance to)/repayment from a related company		(37,822)	62,150	55,446	–
(Advance to)/repayment from a director		(11,374)	6,540	(21,756)	–
Net cash outflow upon disposal of a subsidiary	26	–	(563)	–	–
Disposal of investments in insurance contracts	18	–	35,848	–	–
Payments for settlement of derivative financial instruments		<u>(2,860)</u>	<u>(889)</u>	<u>(889)</u>	<u>–</u>
Net cash (used in)/generated from investing activities		<u>(49,159)</u>	<u>33,351</u>	<u>20,249</u>	<u>26,209</u>
Cash flows from financing activities					
	27				
Proceeds from borrowings		95,000	44,000	–	70,000
Repayments of borrowings		(82,681)	(48,191)	(18,030)	(91,370)
Repayments of finance lease		–	–	–	(87)
Payments of loan interest		<u>(4,524)</u>	<u>(4,327)</u>	<u>(2,139)</u>	<u>(2,200)</u>
Net cash generated from/(used in) financing activities		<u>7,795</u>	<u>(8,518)</u>	<u>(20,169)</u>	<u>(23,657)</u>
Net (decrease)/increase in cash and cash equivalents					
		(147)	70,176	32,626	(48,160)
Cash and cash equivalents at beginning of year/period		5,660	4,692	4,692	72,447
Exchange (losses)/gain on cash and cash equivalents		<u>(821)</u>	<u>(2,421)</u>	<u>(498)</u>	<u>551</u>
Cash and cash equivalents at end of year/period	17(a)	<u>4,692</u>	<u>72,447</u>	<u>36,820</u>	<u>24,838</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganisation and basis of presentation****1.1 General information**

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

The Company is an investment holding company and its subsidiaries (together, "the Group") are principally engaged in provision of audio and visual solution services in Hong Kong, the People Republic of China ("PRC") and Macau (the "Listing Business"). The ultimate holding company of the Company is Jumbo Fame Company Limited. The ultimate controlling party of the Group is Mr. Wong Man Por ("Mr. MP Wong").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation (the "Reorganisation"), as described below, the Listing Business was carried out by companies now comprising the Group, which were collectively controlled by Mr. MP Wong, primarily through AVP Macao Limited, AV Promotions Limited, 上海奧維舞台設備有限公司 and 廣州市艾維展覽服務有限公司.

The Group underwent the Reorganisation, pursuant to which the companies engaged in the Listing Businesses were transferred to the Company. The Reorganisation involved the followings:

- (a) On 23 February 2017, the Company was incorporated in Cayman Islands and is ultimately controlled by Mr. MP Wong.
- (b) On 24 February 2017, AV Promotions (BVI) Limited, AVP (BVI) Limited and AVP (Macau) Investment Limited were incorporated in the BVI with their ordinary shares allotted and issued to the Company.
- (c) On 7 April 2017, AV Promotions (BVI) Limited acquired the entire issued share capital of AV Promotions Limited at a consideration of HK\$4,862,081 from Mr. MP Wong and Mrs. Wong (holding on trust for Mr. MP Wong), its then shareholders. The consideration was satisfied by the allotment and issue of 99 new shares in AV Promotions (BVI) Limited credited as fully paid to the Company.
- (d) On 10 April 2017, AVP (BVI) Limited and AVP (Macau) Investment Limited acquired the entire issued share capital of AVP Macao Limited at a consideration of MOP300,000 in aggregate from Mr. MP Wong and Mr. Wong Chi Bor (as a representative party and registered owner for Mr. MP Wong), the brother of Mr. MP Wong, its then shareholders. The consideration was settled by bank draft.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation	Issued and fully paid capital	Attributable equity interest of the Group			As at the date of this report	Principal activities/ place of operation
			31 December 2015	2016	30 June 2017		
Directly owned:							
AVP (Macau) Investment Limited (Note (i))	BVI, 24 February 2017	US\$1	–	–	–	100%	Investment holding, BVI
AVP (BVI) Limited (Note (i))	BVI, 24 February 2017	US\$1	–	–	–	100%	Investment holding, BVI
AV Promotions (BVI) Limited (Note (i))	BVI, 24 February 2017	US\$100	–	–	–	100%	Investment holding, BVI
Indirectly owned:							
AVP (Macao) Limited (Note (i))	Macau, 28 November 2006	MOP300,000	100%	100%	100%	100%	Provision of audio and visual solution services, Macau
AV Promotions Limited (Note (ii))	Hong Kong, 5 August 1986	HK\$5,009,500	100%	100%	100%	100%	Provision of audio and visual solution services, Hong Kong
Shanghai Aowei Wutai Shebei Limited Company* (上海奧維舞台設備有限公司) (Note (iii))	The PRC, 10 June 2003	US\$300,000	100%	100%	100%	100%	Provision of audio and visual solution services, The PRC
Guangzhoushi Aiwei Zhanlan Fuwu Limited Company* (廣州市艾維展覽服務有限公司) (Note (iv))	The PRC, 8 February 2010	Renminbi (“RMB”) 500,000	100%	100%	100%	100%	Provision of audio and visual solution services, The PRC
Beijing Chuangyi Jiaye Zhanlan Zhanshi Cehua Limited Company* (北京創意嘉業展覽展示策劃有限公司) (Note (v))	The PRC, 9 June 2015	RMB2,000,000	100%	–	–	–	Provision of audio and visual solution services, The PRC
Beijing Chuangyi Yuanfang Qiye Cehua Limited Company* (北京創意元方企業策劃有限公司) (Note (i) & (vi))	The PRC, 3 March 2015	RMBnil	100%	100%	100%	–	Provision of audio and visual solution services, The PRC
Shanghai Xian Cheng Audio Equipment Company Limited* (上海顯晟音像設備有限公司) (Note (i) & (vii))	The PRC, 15 June 2000	RMBnil	90%	90%	90%	–	Provision of audio and visual solution services, The PRC

Notes:

- (i) No audited financial statements were issued as there was no statutory requirement.
- (ii) The statutory financial statements for the year ended 31 December 2015 were audited by Sino Corp CPA Limited. The statutory financial statements for the year ended 31 December 2016 were audited by PricewaterhouseCoopers.
- (iii) The statutory financial statements for the years ended 31 December 2015 and 2016 were audited by 上海永誠會計師事務所有限公司.
- (iv) The statutory financial statements for the years ended 31 December 2015 and 2016 were audited by 廣州瑋銘會計師事務所有限公司.
- (v) Beijing Chuangyi Jiaye Zhanlan Cehua Limited Company was sold to three independent third parties on 9 July 2016 (Note 26). The statutory financial statements for the year ended 31 December 2015 were audited by 北京中信佳會計師事務所.
- (vi) Beijing Chuangyi Yuanfang Qiye Cehua Limited Company did not commence business since its establishment on 3 March 2015. The company was deregistered on 19 May 2017.
- (vii) Shanghai Xian Cheng Audio Equipment Company Limited was deregistered on 6 February 2017.

All companies now comprising the Group have adopted 31 December as their financial year end date.

* *For identification purpose only*

1.3 Basis of presentation

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

For a company disposed to third parties during the year ended 31 December 2016, it is excluded from the financial statements of the Group from the date of the disposal.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial period beginning 1 January 2017 are consistently applied to the Group for the Track Record Period.

The following new standards and amendments to standards have been issued but are not yet effective for the financial period beginning 1 January 2017. They are relevant to the Group but have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments With HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual improvements project	2014 – 2016 projects	1 January 2018

HKFRS 9 “Financial instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the

changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

Based on an analysis of the Group's financial instruments as at 30 June 2017, all of the Group's financial assets and financial liabilities were carried at amortised cost, which would likely continue to be measured on the same basis under HKFRS 9. As a result, the directors of the Company do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the directors of the Company do not expect that the application of HKFRS 9 would result in a significant impact on the Group's impairment provisions. In the opinion of the directors of the Company, the application of HKFRS 9 would not have a material impact on the Group's financial position and results of operations. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15 "Revenue from Contracts with Customers" – This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is provision of services, the performance obligations of this revenue is currently recognised in accordance with Note 2.21.

The directors of the Company have performed a preliminary assessment and expect that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirements under HKFRS 15 upon its adoption.

HKFRS 16 “Leases” – The Group is a lessee of its office buildings which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.23.

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

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

As at 30 June 2017, the Group had aggregate minimum lease payments, which are not reflected in the consolidated statements of financial position, under non-cancellable operating lease amounting to HK\$12,959,000 as set out in Note 29. A preliminary assessment indicates that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

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

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

2.2 Subsidiaries

2.2.1 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.

(a) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 *Separate 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 financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Segment reporting*

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

2.4 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the 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.

2.5 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
Plant and machinery	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 2.6).

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

receivables”, “deposits and other receivables”, “amounts due from a director”, “amounts due from a related company”, “pledged time deposits” and “cash and cash equivalents” in the consolidated statements of financial position.

2.7.2 Recognition and measurement

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

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8 Impairment of financial assets

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

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

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

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

2.9 Investments in insurance contracts

The Group acquired certain key management insurance contracts, which include both investment and insurance elements. The investments insurance contracts are initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contracts (cash surrender value) at the end of each reporting period, with changes recognised in “other (losses)/gains, net” in the consolidated income statements.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

2.11 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.

2.12 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 and bank overdrafts. In the consolidated statements of financial position, bank overdrafts are shown within "bank borrowings" in current liabilities.

2.13 Pledged time deposits

Pledged time deposits represent fixed deposits pledged to the banks for issuance of bank facilities and bank borrowings. Such pledged time deposits can be released when the Group repays the bank borrowings or withdrawn at any time if other qualified securities are placed as alternative.

2.14 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.

2.15 Trade, bills and other payables

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

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

2.16 Borrowings

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

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

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

2.17 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.

2.18 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.

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.

2.19 Employee benefits**(a) Pension obligations**

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

(b) Profit-sharing and bonus plans

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

(c) Employee leave entitlements

Employee entitlements to annual leave is recognised when they accrue to employees. 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.

2.20 Provisions

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

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

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

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

- (a) Revenue from provision of audio and visual solution services is recognised when the services have been rendered; and
- (b) Management fee income, recognises when the services are rendered.

2.22 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.23 Leases

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

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

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

2.24 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.

3 Financial risk management**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit 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) Market risk**(i) Foreign exchange risk*

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

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

As at 31 December 2015 and 2016, the HK\$ weakened/strengthened by 5% against the RMB with all other variables held constant, the post-tax profit for the year ended 31 December 2015 and 2016 would have been HK\$1,485,000 and HK\$1,679,000 higher/lower, mainly as a result of net foreign exchange gains/losses on translation of RMB-denominated pledged time deposit in Hong Kong. As at 30 June 2017, the foreign exchange risk was insignificant as the RMB denominated time deposit has been settled during the six months ended 30 June 2017.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group recorded other comprehensive loss of currency translation differences of HK\$1,560,000, HK\$2,009,000 and HK\$669,000 respectively, during each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and other comprehensive gain of currency translation differences of HK\$1,032,000 during the six months ended 30 June 2017. 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 2015 and 2016 and 30 June 2017, foreign exchange risks on financial assets and liabilities denominated in currencies other than functional currencies were insignificant to the Group.

(ii) Cash flow interest rate risk

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

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

At 31 December 2015 and 2016 and 30 June 2017, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the pre-tax profit for each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 would have changed as follows:

	Year ended 31 December		Six months ended
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Pre-tax profit (decrease)/increase			
– 100 basis points higher	(1,762)	(1,621)	(1,408)
– 100 basis points lower	1,762	1,621	1,408
	<u>1,762</u>	<u>1,621</u>	<u>1,408</u>

(b) Credit risk

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

At 31 December 2015 and 2016 and 30 June 2017, the Group is exposed to concentration of credit risk to the extent that HK\$37,501,000, HK\$27,159,000 and HK\$68,906,000 respectively 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.

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.

For amounts due from a director and a related company, the Group has assessed their abilities to repay the outstanding amounts and management expects no significant losses from non-performance by these counterparties. These balances were fully settled as at 31 December 2016.

(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.

	On demand <i>HK\$'000</i>	Within 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2015				
Trade and bills payables	–	51,066	–	51,066
Accruals and other payables	–	4,468	–	4,468
Bank borrowings and interest payable	176,187	–	–	176,187
Derivative financial instruments	–	1,051	–	1,051
	<u>176,187</u>	<u>56,585</u>	<u>–</u>	<u>232,772</u>
As at 31 December 2016				
Trade and bills payables	–	51,444	–	51,444
Accruals and other payables	–	9,789	–	9,789
Bank borrowings and interest payable	118,144	–	46,248	164,392
	<u>118,144</u>	<u>61,233</u>	<u>46,248</u>	<u>225,625</u>
As at 30 June 2017				
Trade and bills payables	–	40,668	–	40,668
Accruals and other payables	–	4,685	–	4,685
Finance lease liabilities	–	234	266	500
Bank borrowings and interest payable	96,774	–	46,548	143,322
	<u>96,774</u>	<u>45,587</u>	<u>46,814</u>	<u>189,175</u>

The table below summarises the maturity analysis of bank borrowing 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.

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

**Maturity analysis – Bank borrowings and interest payable
without taking into account of repayment on demand clause of
certain bank borrowings, based on scheduled repayments**

	Within 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2015	<u>132,178</u>	<u>16,963</u>	<u>20,340</u>	<u>13,945</u>	<u>183,426</u>
As at 31 December 2016	<u>102,508</u>	<u>60,657</u>	<u>4,871</u>	<u>–</u>	<u>168,036</u>
As at 30 June 2017	<u>32,547</u>	<u>69,889</u>	<u>46,990</u>	<u>–</u>	<u>149,426</u>

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 shareholder, 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 capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statements of financial position) less cash and cash equivalents and pledged time deposits. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt.

The Group maintained a net debt position as at 31 December 2015 and 2016 and 30 June 2017.

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Borrowing (Note 22)	176,187	162,144	141,258
Less:			
Cash and cash equivalents (Note 17(a))	(14,544)	(72,447)	(24,838)
Pledged time deposits (Note 17(b))	(18,994)	(61,770)	(26,000)
Net debt	142,649	27,927	90,420
Total equity	32,468	36,514	34,500
Total capital	175,117	64,441	124,920
Gearing ratio	81%	43%	72%

There were no changes in the Group's approach to capital management during the Relevant Periods.

The decrease in gearing ratio from approximately 81% as at 31 December 2015 to approximately 43% as at 31 December 2016, was primarily due to the repayments from Mr. MP Wong and Dehao Electronics Technology Limited ("DET"), a related company controlled by Mr. MP Wong, during the year ended 31 December 2016 (Note 31(c)).

The increase in gearing ratio from approximately 43% as at 31 December 2016 to approximately 72% as at 30 June 2017, was primarily due to the settlements to suppliers and the increase in trade receivables during each of the six months ended 30 June 2017, resulting a decrease in cash and cash equivalents and pledged time deposits.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivable, deposits, trade, bills and other payables, amounts due from a director and amounts due from a related company approximate their fair values due to their short maturities.

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's liabilities that are measured at fair value at 31 December 2015.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	(1,051)	–	(1,051)
Total liabilities	–	(1,051)	–	(1,051)

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2015.

Specific valuation techniques used to value the derivative financial instruments include:

- Quoted market prices from banks or dealer quotes for similar instruments.
- The fair value of derivative financial instruments are determined using forward exchange rates, risk-free rates and volatility at the year end date.

4 Critical accounting estimates and judgements

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade receivables

The Group determines the provision for impairment of trade receivables based on the credit history of counterparty and the current market condition. Significant judgment is exercised on the assessment of the collectability of receivables from each counterparty. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, counterparty payment trends including subsequent payments and customers' financial positions. If the financial conditions of the counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(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 audio and visual 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, management considers there is only one operating segment.

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

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Hong Kong	65,358	78,499	37,267	23,356
The PRC	100,848	93,629	42,109	75,222
Macau	13,508	11,851	5,609	8,658
	<u>179,714</u>	<u>183,979</u>	<u>84,985</u>	<u>107,236</u>

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

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Customer A	<u>69,766</u>	<u>53,803</u>	<u>30,054</u>	<u>37,176</u>

The non-current assets, other than deferred income tax assets are allocated based on the physical location of the assets as below:

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Hong Kong	66,752	77,275	79,401
The PRC	4,550	1,268	1,090
Macau	<u>5,283</u>	<u>4,705</u>	<u>4,402</u>
Total non-current assets per consolidated statements of financial position	<u>76,585</u>	<u>83,248</u>	<u>84,893</u>

6 Revenue

Revenue represents the net invoiced value of services rendered, after allowances for trade discounts. The Group's revenue recognised during each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017 are as follows:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Revenue from services	<u>179,714</u>	<u>183,979</u>	<u>84,985</u>	<u>107,236</u>

7 Other (losses)/gains, net

	Year ended 31 December		Six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Changes in value on investments in insurance contracts (<i>Note 18</i>)	240	215	120	–
Gain on disposal of a subsidiary (<i>Note 26</i>)	–	238	–	–
Gains/(losses) on disposals of property, plant and equipment	70	(107)	(44)	–
Interest income from investments in insurance contracts (<i>Note 18</i>)	1,111	710	481	–
Management fee income	360	–	–	–
(Losses)/gains on derivative financial instruments	(2,249)	162	162	–
Exchange differences	(1,187)	(605)	(207)	(235)
	<u>(1,655)</u>	<u>613</u>	<u>512</u>	<u>(235)</u>

8 Expenses by nature

	Year ended 31 December		Six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Material cost of consumables	16,521	14,607	6,952	15,916
Freight expenses	8,532	9,731	4,431	4,543
Equipment rental cost	60,074	53,859	24,427	35,241
Travel expenses	8,904	6,856	2,251	2,234
Depreciation of property, plant and equipment (<i>Note 13</i>)	12,973	14,687	6,497	7,001
Provision for impairment of trade receivables (<i>Note 16</i>)	421	–	–	–
Auditors' remuneration (excluded listing expenses)				
– audit services	72	73	50	40
– non-audit services	–	–	–	–
Operating lease payments	6,253	5,897	2,927	2,446
Employee benefit expenses (<i>Note 9</i>)	48,220	53,754	27,959	27,193
Entertainment expenses	1,290	508	248	620
Motor vehicle expenses	1,072	1,139	557	276
Listing expenses	–	4,271	1,356	8,080
Other expenses	5,631	6,437	3,416	2,396
	<u>169,963</u>	<u>171,819</u>	<u>81,071</u>	<u>105,986</u>
Total cost of sales, selling expenses and administrative expenses				

9 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Wages, salaries and bonus	41,546	45,757	23,944	23,379
Reversal of provision for long service payment	(256)	(207)	–	–
Pension costs	3,351	4,378	2,447	2,214
Other staff welfare and benefit	3,579	3,826	1,568	1,600
	<u>48,220</u>	<u>53,754</u>	<u>27,959</u>	<u>27,193</u>

Note:

Five highest paid individuals

For each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017, the five individuals whose emoluments were the highest in the Group include two, three, three, three directors, respectively, whose emoluments were reflected in Note 33. The emoluments paid to the remaining three, two, two, two individuals, respectively, are as follows:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Wages and salaries	1,631	1,336	612	669
Bonus	236	119	119	228
Pension costs – defined contribution plans	54	36	18	18
	<u>1,921</u>	<u>1,491</u>	<u>749</u>	<u>915</u>

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

	Number of individuals			
	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
			(unaudited)	
Nil – HK\$1,000,000	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>

10 Finance income and expenses

	Year ended 31 December		Six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Interest income				
– Bank interest income	<u>724</u>	<u>592</u>	<u>289</u>	<u>113</u>
Finance income	<u>724</u>	<u>592</u>	<u>289</u>	<u>113</u>
Interest expenses				
– Finance lease liabilities	–	–	–	(9)
– Bank borrowings	<u>(4,524)</u>	<u>(4,327)</u>	<u>(2,139)</u>	<u>(2,191)</u>
Finance expenses	<u>(4,524)</u>	<u>(4,327)</u>	<u>(2,139)</u>	<u>(2,200)</u>
Finance expenses – net	<u>(3,800)</u>	<u>(3,735)</u>	<u>(1,850)</u>	<u>(2,087)</u>

11 Income tax expenses

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

	Year ended 31 December		Six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Current income tax				
– Hong Kong	664	119	365	–
– The PRC & Macau	<u>1,201</u>	<u>1,687</u>	<u>608</u>	<u>3,201</u>
	<u>1,865</u>	<u>1,806</u>	<u>973</u>	<u>3,201</u>
Under/(over) provision in prior years				
– Hong Kong	–	14	14	–
– The PRC & Macau	<u>51</u>	<u>(8)</u>	<u>(8)</u>	<u>3</u>
	<u>51</u>	<u>6</u>	<u>6</u>	<u>3</u>
Deferred income tax (Note 14)	<u>(820)</u>	<u>946</u>	<u>(124)</u>	<u>(1,230)</u>
Income tax expenses	<u>1,096</u>	<u>2,758</u>	<u>855</u>	<u>1,974</u>

Hong Kong, Macau and the PRC profits/income tax has been provided at the rate of 16.5%, 12% and 25%, respectively, on the estimated assessable profits for each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

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

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) before income tax	4,296	9,038	2,576	(1,072)
Tax calculated at domestic tax rate in the respective countries	971	1,928	427	710
Under provision in prior years	51	6	6	3
Expenses not deductible for tax purposes	403	1,079	523	1,333
Income not subject to taxation	(329)	(255)	(101)	(72)
	<u>1,096</u>	<u>2,758</u>	<u>855</u>	<u>1,974</u>

For each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017, the weighted average applicable tax rate was 23%, 21%, 17% and (66%) respectively. The change from a positive to a negative weighted average applicable tax rate for the year ended 31 December 2016 and the six months ended 30 June 2017 were mainly due to changes in the profitability of the Group subsidiaries in respective countries and the non-recurring listing expenses incurred for the years/periods.

12 Basic and diluted earnings/(loss) per share

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is calculated on the profit/(loss) attributable to equity holders of the Company by the weighted number of ordinary shares deemed to be in issue during each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017. In determining the weighted average number of ordinary shares deemed to be in issue, the 1,000 shares of the Company issued in relation to the Reorganisation as detailed in Note 1.2 were deemed to have been in issue since 1 January 2015.

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	3,200	6,280	1,721	(3,046)
Weighted average number of shares in issue	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Basic earnings/(loss) per share (expressed in HK\$'000 per share)	<u>3.2</u>	<u>6.3</u>	<u>1.7</u>	<u>(3.0)</u>

Note: The earnings/(loss) per share as presented above has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 1 December 2017 because the proposed capitalisation issue has not been effected as at the date of this report.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share presented is the same as the basic earnings/(loss) per share as there were no potentially dilutive ordinary shares issued during each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

13 Property, plant and equipment

	Leasehold improvements <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015					
Cost	1,503	134,220	3,101	6,926	145,750
Accumulated depreciation	(1,064)	(57,992)	(2,600)	(3,550)	(65,206)
Net book value	439	76,228	501	3,376	80,544
Year ended 31 December 2015					
Opening net book value	439	76,228	501	3,376	80,544
Additions	–	4,781	406	452	5,639
Disposals (<i>Note</i>)	–	(93)	–	(106)	(199)
Depreciation	(133)	(12,079)	(144)	(617)	(12,973)
Currency translation difference	(15)	(180)	(27)	(42)	(264)
Closing net book value	291	68,657	736	3,063	72,747
At 31 December 2015					
Cost	1,470	137,997	3,412	6,908	149,787
Accumulated depreciation	(1,179)	(69,340)	(2,676)	(3,845)	(77,040)
Net book value	291	68,657	736	3,063	72,747
At 1 January 2016					
Cost	1,470	137,997	3,412	6,908	149,787
Accumulated depreciation	(1,179)	(69,340)	(2,676)	(3,845)	(77,040)
Net book value	291	68,657	736	3,063	72,747
Year ended 31 December 2016					
Opening net book value	291	68,657	736	3,063	72,747
Additions	38	26,418	477	1,013	27,946
Disposals (<i>Note</i>)	–	(82)	–	(1,644)	(1,726)
Depreciation	(130)	(14,000)	(194)	(363)	(14,687)
Disposal of a subsidiary (<i>Note 26</i>)	–	(2,789)	(186)	(194)	(3,169)
Currency translation difference	(11)	(60)	(16)	(31)	(118)
Closing net book value	188	78,144	817	1,844	80,993
At 31 December 2016					
Cost	1,470	153,998	2,624	3,574	161,666
Accumulated depreciation	(1,282)	(75,854)	(1,807)	(1,730)	(80,673)
Net book value	188	78,144	817	1,844	80,993

	Leasehold improvements <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017					
Cost	1,470	153,998	2,624	3,574	161,666
Accumulated depreciation	<u>(1,282)</u>	<u>(75,854)</u>	<u>(1,807)</u>	<u>(1,730)</u>	<u>(80,673)</u>
Net book value	<u>188</u>	<u>78,144</u>	<u>817</u>	<u>1,844</u>	<u>80,993</u>
Six months ended 30 June 2017					
Opening net book value	188	78,144	817	1,844	80,993
Additions	–	9,614	23	608	10,245
Depreciation	(119)	(6,591)	(84)	(207)	(7,001)
Currency translation difference	<u>2</u>	<u>2</u>	<u>17</u>	<u>12</u>	<u>33</u>
Closing net book value	<u>71</u>	<u>81,169</u>	<u>773</u>	<u>2,257</u>	<u>84,270</u>
At 30 June 2017					
Cost	1,486	163,616	2,676	4,201	171,979
Accumulated depreciation	<u>(1,415)</u>	<u>(82,447)</u>	<u>(1,903)</u>	<u>(1,944)</u>	<u>(87,709)</u>
Net book value	<u>71</u>	<u>81,169</u>	<u>773</u>	<u>2,257</u>	<u>84,270</u>

Depreciation expenses of HK\$12,201,000 and HK\$772,000 have been charged to cost of sales and administrative expenses respectively in the consolidated income statement for the year ended 31 December 2015.

Depreciation expenses of HK\$14,043,000 and HK\$644,000 have been charged to cost of sales and administrative expenses respectively in the consolidated income statement for the year ended 31 December 2016.

Depreciation expenses of HK\$6,591,000 and HK\$410,000 have been charged to cost of sales and administrative expenses respectively in the consolidated income statement for the six months ended 30 June 2017.

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

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Cost – capitalised finance lease	–	–	571
Accumulated depreciation	<u>–</u>	<u>–</u>	<u>(43)</u>
Net book value	<u>–</u>	<u>–</u>	<u>528</u>

Note:

Proceeds from sales of property, plant and equipment

	Year ended 31 December		Six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Net book amount	199	1,726	1,449	–
Gains/(losses) on disposals	<u>70</u>	<u>(107)</u>	<u>(44)</u>	<u>–</u>
Proceeds from disposals of property, plant and equipment	<u><u>269</u></u>	<u><u>1,619</u></u>	<u><u>1,405</u></u>	<u><u>–</u></u>

14 Deferred income tax

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

	As at 31 December		As at
	2015 HK\$'000	2016 HK\$'000	30 June 2017 HK\$'000
Deferred income tax assets:			
Recoverable after more than 12 months	1,170	–	–
Deferred income tax liabilities:			
Recoverable after more than 12 months	<u>(10,277)</u>	<u>(11,223)</u>	<u>(9,993)</u>
Deferred income tax liabilities (net)	<u><u>(9,107)</u></u>	<u><u>(11,223)</u></u>	<u><u>(9,993)</u></u>

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

	Tax losses <i>HK\$'000</i>
Deferred income tax assets	
At 1 January 2015	1,254
Charged to the consolidated income statement (<i>Note 11</i>)	(19)
Exchange differences	<u>(65)</u>
At 31 December 2015	<u>1,170</u>
At 1 January 2016	1,170
Disposal of a subsidiary (<i>Note 26</i>)	(1,144)
Exchange differences	<u>(26)</u>
At 31 December 2016	<u>–</u>
At 1 January 2017	–
Credited to the consolidated income statement (<i>Note 11</i>)	<u>872</u>
At 30 June 2017	<u>872</u>

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 2015 and 30 June 2017, the Group recognised deferred income tax assets of HK\$1,170,000 and HK\$872,000 respectively. As at 31 December 2015 and 2016 and 30 June 2017, the Group did not have any unrecognised deferred income tax assets.

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

	Accelerated tax depreciation <i>HK\$'000</i>
Deferred income tax liabilities	
At 1 January 2015	11,116
Credited to the consolidated income statement (<i>Note 11</i>)	<u>(839)</u>
At 31 December 2015	<u>10,277</u>
At 1 January 2016	10,277
Charged to the consolidated income statement (<i>Note 11</i>)	<u>946</u>
At 31 December 2016	<u>11,223</u>
At 1 January 2017	11,223
Credited to the consolidated income statement (<i>Note 11</i>)	<u>(358)</u>
At 30 June 2017	<u>10,865</u>

As at 31 December 2015 and 2016 and 30 June 2017, 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. As at 31 December 2015 and 2016 and 30 June 2017, deferred income tax liabilities of HK\$2,367,000, HK\$3,077,000 and HK\$4,040,000 respectively, 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\$23,673,000, HK\$30,767,000 and HK\$40,397,000 at 31 December 2015 and 2016 and 30 June 2017 respectively.

15 Financial instruments by category

	Group			Company
	As at 31 December 2015 HK\$'000	2016 HK\$'000	As at 30 June 2017 HK\$'000	As at 30 June 2017 HK\$'000
Assets as per statements of financial position				
Loans and receivables:				
– Trade receivables	58,218	53,413	95,787	–
– Deposits and other receivables	1,266	632	640	–
– Amount due from a director	5,255	–	–	–
– Amount due from a related company	62,402	–	–	–
– Pledged time deposits	18,994	61,710	26,000	–
– Cash and cash equivalents	14,544	72,447	24,838	–
Total	160,679	188,202	147,265	–
Liabilities as per statements of financial position				
Financial liabilities at amortised cost:				
– Trade and bills payables	51,066	51,444	40,668	–
– Accruals and other payables	4,468	9,789	4,685	1,095
– Amounts due to subsidiaries	–	–	–	12,923
– Borrowings	176,187	162,144	141,258	–
	231,721	223,377	186,611	14,018
Financial liabilities at fair value through profit or loss:				
– Derivative financial instruments	1,051	–	–	–
Total	232,772	223,377	186,611	14,018

16 Trade receivables, prepayments, deposits and other receivables

	<u>Group</u>		<u>Company</u>	
	<u>As at 31 December</u>		<u>As at 30 June</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	58,639	53,413	95,787	–
Less: Allowance for provision	(421)	–	–	–
Trade receivables, net of provision	58,218	53,413	95,787	–
Rental deposits	1,227	593	599	–
Other deposits	39	39	41	–
Other prepayments	5,272	1,942	2,758	–
Prepayments for purchase of plant and equipment	3,838	2,255	623	–
Deferred listing costs	445	278	1,667	1,667
	10,821	5,107	5,688	1,667
Less: Non-current prepayments for purchase of plant and equipment	(3,838)	(2,255)	(623)	–
	6,983	2,852	5,065	–
	<u>65,201</u>	<u>56,265</u>	<u>100,852</u>	<u>1,667</u>

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:

	<u>As at 31 December</u>		<u>As at 30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	10,196	15,326	30,974
0 to 3 months	37,459	33,953	54,315
3 to 6 months	2,867	3,178	4,562
Over 6 months	7,696	956	5,936
	<u>58,218</u>	<u>53,413</u>	<u>95,787</u>

As at 31 December 2015 and 2016 and 30 June 2017, trade receivables of HK\$26,221,000, HK\$29,866,000 and HK\$33,101,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be collected. The ageing analysis of these receivables is as follows:

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
Within 3 months	18,046	25,732	22,603
3 to 6 months	479	3,178	4,562
Over 6 months	7,696	956	5,936
	<u>26,221</u>	<u>29,866</u>	<u>33,101</u>

As at 31 December 2015, trade receivable of HK\$421,000, was impaired and full provision was made. The individually impaired receivable related to one independent customer which was in unexpectedly difficult economic situation, and it was assessed that the full amount was not expected to be recovered. The ageing of this receivable is as follows:

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
Over 6 months	<u>421</u>	<u>-</u>	<u>-</u>

Movements on the provision for impairment of trade receivables are as follows:

	HK\$'000
At 1 January 2015	404
Provision for impairment of trade receivables	421
Receivables written off during the year as uncollectible	<u>(404)</u>
At 31 December 2015 and 1 January 2016	421
Receivable written off during the year as uncollectible	<u>(421)</u>
At 31 December 2016 and 30 June 2017	<u>-</u>

The other classes within trade receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of each class 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		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
RMB	48,483	36,718	84,758
HK\$	<u>20,556</u>	<u>21,802</u>	<u>16,717</u>
At the end of the years/period	<u><u>69,039</u></u>	<u><u>58,520</u></u>	<u><u>101,475</u></u>

17 Cash and bank balances and pledged time deposits

(a) Cash and cash equivalents

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Cash at bank and on hand	<u>14,544</u>	<u>72,447</u>	<u>24,838</u>

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated statements of cash flows:

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Cash at bank and on hand	14,544	72,447	24,838
Bank overdrafts (<i>Note 22</i>)	<u>(9,852)</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u><u>4,692</u></u>	<u><u>72,447</u></u>	<u><u>24,838</u></u>

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

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
HK\$	701	26,327	18,799
RMB	11,203	44,037	4,547
USD	1,988	1,017	1,369
Others	<u>652</u>	<u>1,066</u>	<u>123</u>
	<u><u>14,544</u></u>	<u><u>72,447</u></u>	<u><u>24,838</u></u>

The Group's certain bank balances and deposits denominated in RMB are deposited with banks 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 2015 and 2016, approximately HK\$18,994,000 and HK\$17,770,000, of initial maturity of two months to twelve months, were short term time deposits pledged for certain bank borrowings and earned interest at the respective time deposit rates. The weighted effective interest rates on these deposits for the year ended 31 December 2015 and 2016 were 3.1% and 2.3%, respectively. Pledged time deposits are denominated in RMB and deposited with creditworthy banks with no recent history of default.

As at 31 December 2016, HK\$44,000,000, of initial maturity of one month to twelve months, were short term time deposits pledged for bank borrowings and earn interest at the respective short term time deposit rates. The weighted effective interest rate on these deposits for the year ended 31 December 2016 was 0.5%. Pledged time deposits are denominated in HK\$ and deposited with a creditworthy bank with no recent history of default. According to the terms of the banking facilities letter, such time deposits as at 31 December 2016 can be withdrawn at any time and other qualified securities should be placed as alternative on the same day. On 13 March 2017, such pledged time deposits have been released while guarantees were provided by Mr. MP Wong and Mrs. Wong and time deposits of Mr. MP Wong and Mrs. Wong were pledged for bank borrowings as alternative on 17 March 2017.

As at 30 June 2017, pledged time deposits of HK\$26,000,000, of initial maturity of two weeks, were short term time deposits pledged for bank borrowings and earn interest at the respective time deposit rates. The weighted effective interest rate on these deposits for the six months ended 30 June 2017 was 0.01%. Pledged time deposits are denominated in HK\$ and deposited with a creditworthy bank with no recent history of default. According to the terms of the banking facilities letter, such time deposits as at 30 June 2017 can be withdrawn at any time and other qualified securities should be placed as alternative on the same day. On 4 September 2017, such pledged time deposits have been released while guarantees were provided by Mr. MP Wong and Mrs. Wong and deposits of Mr. MP Wong and Mrs. Wong were pledged for bank borrowings as alternative on the same day. Details of which have been disclosed in Note 32.

18 Investments in insurance contracts

	As at 31 December		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
At the beginning of the years/period	33,572	34,923	–
Credited to the consolidated income statements			
– Changes in cash surrender values	240	215	–
– Interest income from investments	1,111	710	–
Disposal (<i>Note 31(e)(v)</i>)	–	(35,848)	–
	<u>–</u>	<u>(35,848)</u>	<u>–</u>
At the end of the years/period	<u>34,923</u>	<u>–</u>	<u>–</u>

Investments in insurance contracts represented key management life insurance policies (the “Insurance Policies”). The Group is the beneficiary of the Insurance Policies. The Insurance Policies were pledged to the bank as securities for certain facilities granted to the Group. Changes in value of the investments in insurance contracts are recorded in “other (losses)/gains, net” in the consolidated income statements.

On 23 November 2016, the Insurance Policies were transferred to Gain Fortune Investment Limited, a related company, at its carrying value of US\$4,630,000 (equivalent to HK\$35,848,000) and details of which have been disclosed in Note 31(e)(v).

19 Share capital – the Group and the Company

The Company was incorporated in the Cayman Islands on 23 February 2017. At the date of incorporation, the authorised share capital is HK\$380,000 comprising 38,000,000 ordinary shares of HK\$0.01 each.

Ordinary shares, issued and fully paid:

	<i>Number of shares</i>	<i>HK\$</i>
At 1 January 2015, 31 December 2015 and 2016	–	–
At 23 February 2017 (date of incorporation) (<i>Note (a)</i>)	1	–
Issuance of shares (<i>Note (b)</i>)	<u>999</u>	<u>10</u>
At 30 June 2017	<u><u>1,000</u></u>	<u><u>10</u></u>

Note:

- (a) 1 share of HK\$0.01 was allotted and issued on 23 February 2017.
- (b) 999 shares of HK\$0.01 each were allotted and issued on 31 March 2017.

20 Other reserves

The Group

	Exchange reserve HK\$'000	Other reserves HK\$'000	Total HK\$'000
As at 1 January 2015	1,218	5,314	6,532
Other comprehensive loss			
Currency translation differences	(1,560)	–	(1,560)
Total comprehensive loss	(1,560)	–	(1,560)
As at 31 December 2015	(342)	5,314	4,972
As at 1 January 2016	(342)	5,314	4,972
Other comprehensive loss			
Currency translation differences	(2,009)	–	(2,009)
Release of exchange reserve upon disposal of a subsidiary	(225)	–	(225)
Total comprehensive loss	(2,234)	–	(2,234)
As at 31 December 2016	(2,576)	5,314	2,738
As at 1 January 2017	(2,576)	5,314	2,738
Other comprehensive income			
Currency translation differences	1,032	–	1,032
Total comprehensive income	1,032	–	1,032
As at 30 June 2017	(1,544)	5,314	3,770

Note: As at 31 December 2015 and 2016, other reserves of the Group represented combined capital of the companies comprising the Group. As at 30 June 2017, other reserves represented the difference between share capital of the Company and combined capital of the group subsidiaries comprising the Group.

The Company

	Other reserve HK\$'000
As at 23 February 2017 (date of incorporation)	–
Transactions with owners:	
Issuance of ordinary shares pursuant to the Reorganisation (Note)	30,843
As at 30 June 2017	30,843

Note: HK\$30,843,000 represented the difference between share capital of the Company and the carrying values of the group subsidiaries acquired during the reorganisation. Please refer to Note 1.2.

21 Trade and bills payables, accruals and other payables

	Group		Company	
	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000	As at 30 June 2017 HK\$'000	As at 30 June 2017 HK\$'000
Non-current				
Provision for long service payments	707	500	500	–
Current				
Trade and bills payables (<i>Note (a)</i>)	51,066	51,444	40,668	–
Accrual expenses	3,137	3,626	3,998	1,095
Receipt in advance	522	5,710	484	–
Other payables	809	453	203	–
Accruals and other payables	4,468	9,789	4,685	1,095
	55,534	61,233	45,353	1,095
Total	56,241	61,733	45,853	1,095

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

	Group		Company	
	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000	As at 30 June 2017 HK\$'000	As at 30 June 2017 HK\$'000
USD	12,129	18,723	15,111	–
RMB	31,839	30,970	24,211	–
HK\$	12,273	12,040	6,531	1,095
	56,241	61,733	45,853	1,095

- (a) As at 31 December 2015 and 2016 and 30 June 2017, the Group's aging analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 December		As at
	2015 HK\$'000	2016 HK\$'000	30 June 2017 HK\$'000
Up to 3 months	29,291	42,412	38,297
3 to 6 months	2,325	6,483	874
Over 6 months	19,450	2,549	1,497
	51,066	51,444	40,668

22 Borrowings

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Current			
Finance lease liabilities	–	–	223
Bank borrowings	166,335	118,144	96,774
Bank overdrafts	9,852	–	–
	<u>176,187</u>	<u>118,144</u>	<u>96,997</u>
Non-current			
Finance lease liabilities	–	–	261
Bank borrowings	–	44,000	44,000
	<u>–</u>	<u>44,000</u>	<u>44,261</u>
	<u>176,187</u>	<u>162,144</u>	<u>141,258</u>

(a) Bank borrowings

As at 31 December 2015, bank borrowings were denominated in HK\$ and secured by (i) machineries amounted to HK\$60,366,000; (ii) the Insurance Policies (Note 18); (iii) pledged time deposits of HK\$18,994,000; (iv) a property of WK Equipment Limited (formerly known as AV Equipment Limited); (v) a property of Harvest Dynasty Limited; (vi) properties of Mr. MP Wong and (vii) guarantees provided by Mr. MP Wong, Mrs. Wong, DET and Win News Technology Limited (“Win News”), related companies controlled by Mr. MP Wong. These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin. The weighted effective interest rate on these bank borrowings was 2.6%.

As at 31 December 2016, bank borrowings were denominated in HK\$ and secured by (i) machineries amounted to HK\$73,537,000; (ii) pledged time deposits of HK\$61,770,000; (iii) a property of WK Equipment Limited; (iv) a property of Harvest Dynasty Limited; (v) properties of Mr. MP Wong and (vi) guarantees provided by Mr. MP Wong, Mrs. Wong, DET and Win News. These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin. The weighted effective interest rate on these bank borrowings was 2.7%.

As at 30 June 2017, bank borrowings were denominated in HK\$ and secured by (i) machineries amounted to HK\$76,878,000; (ii) pledged time deposits of HK\$26,000,000; (iii) a property of WK Equipment Limited; (iv) a property of Harvest Dynasty Limited; (v) properties of Mr. MP Wong; (vi) guarantees provided by Mr. MP Wong, Mrs. Wong, DET and Win News; and (vii) deposits of HK\$18,000,000 provided by Mrs. Wong. These bank borrowings carried floating rates at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin. The weighted effective interest rate on these bank borrowings was 2.9%.

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		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
On demand or within a period not exceeding one year	176,187	118,144	96,774
Between one to two years	–	44,000	44,000
	<u>176,187</u>	<u>162,144</u>	<u>140,774</u>

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		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	127,481	98,366	28,470
Between one to two years	15,664	59,027	66,637
Between two to five years	19,459	4,751	45,667
Over five years	13,583	–	–
	<u>176,187</u>	<u>162,144</u>	<u>140,774</u>

The Group has the following undrawn bank borrowing facilities:

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Floating rate:			
– Expiring within one year	<u>16,593</u>	<u>28,027</u>	<u>139</u>

The facilities expiring within one year are annual facilities which are subject to annual review and are guaranteed by Mr. MP Wong, Mrs. Wong, DET and Win News, as at 31 December 2015 and 2016 and 30 June 2017. Such guarantees are to be released upon listing of the Company's shares on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

At 31 December 2015 and 2016, bank loans of HK\$176,187,000 and HK\$40,417,000, respectively with repayable on demand clause and classified as current liabilities, were drawn from the Group's banking facilities for which certain covenants requirements were in breach. On 30 June 2016 and 24 January 2017, the Group obtained the revised banking facilities letters from banks and those covenants, which were in breach as at 31 December 2015 and 2016, have been removed.

(b) Finance lease liabilities

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Gross finance lease liabilities – minimum lease payments			
No later than 1 year	–	–	234
Later than 1 year and no later than 5 years	–	–	266
	–	–	500
Future finance charges on finance leases	–	–	(16)
Present value of finance lease liabilities	–	–	484
The present value of finance lease liabilities is as follows:			
No later than 1 year	–	–	223
Later than 1 year and no later than 5 years	–	–	261
	–	–	484

23 Derivative financial instruments

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Forward foreign currency contracts	1,051	–	–

The notional principal amounts of the outstanding forward foreign currency contracts in respect of which are RMB/USD at 31 December 2015 were US\$2,600,000 (equivalent to HK\$20,150,000).

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets/liabilities in the consolidated statements of financial position.

24 Investments in subsidiaries

The Company

	As at
	30 June
	2017
	HK\$'000
Unlisted shares, at cost	30,843

Particulars of the Company's subsidiaries are set out in Note 1.2 to the Historical Financial Information.

25 Amounts due to subsidiaries

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

26 Disposal of a subsidiary

During the year ended 31 December 2016, the Group entered into an agreement with three independent third parties to dispose of its entire equity interest in Beijing Chuangyi Jiaye Zhanlan Zhanshi Cehua Limited for a cash consideration of RMB15,000 (equivalent to HK\$18,000). The disposal was completed on 9 July 2016.

	<i>HK\$'000</i>
Total consideration satisfied by:	
Cash consideration	<u>18</u>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	(3,169)
Deferred income tax assets	(1,144)
Trade receivables	(536)
Prepayments, deposits and other receivables	(3,777)
Cash and cash equivalents	(581)
Trade and bills payables	8,868
Accruals and other payables	309
Current income tax liabilities	<u>25</u>
Net assets disposed of	<u>(5)</u>
Add: Reclassification of exchange reserve upon disposal of a subsidiary	<u>225</u>
Gain on disposal of a subsidiary	<u><u>238</u></u>
Analysis of the net cash outflow in respect of disposal of a subsidiary	
– Cash consideration	18
– Less: cash and cash equivalents disposed of	<u>(581)</u>
Net cash outflow from disposal of a subsidiary, net of cash disposed of	<u><u>(563)</u></u>

27 Cash flow information – Financing activities

This section sets out the movement of liabilities from financing activities for each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

Liabilities from financing activities

	Finance lease liabilities <i>HK\$'000</i>	Interest payable <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2015	–	–	154,016	154,016
Non cash-interest cost	–	4,524	–	4,524
Cash flow	–	(4,524)	12,319	7,795
As at 31 December 2015	<u>–</u>	<u>–</u>	<u>166,335</u>	<u>166,335</u>
As at 1 January 2016	–	–	166,335	166,335
Non cash-interest cost	–	4,327	–	4,327
Cash flow	–	(4,327)	(4,191)	(8,518)
As at 31 December 2016	<u>–</u>	<u>–</u>	<u>162,144</u>	<u>162,144</u>
As at 1 January 2016	–	–	166,335	166,335
Non cash-interest cost (unaudited)	–	2,139	–	2,139
Cash flow (unaudited)	–	(2,139)	(18,030)	(20,169)
As at 30 June 2016 (unaudited)	<u>–</u>	<u>–</u>	<u>148,305</u>	<u>148,305</u>
As at 1 January 2017	–	–	162,144	162,144
Non cash-purchase of a motor vehicle – finance lease	571	–	–	571
Non cash-interest cost	–	2,200	–	2,200
Cash flow	(87)	(2,200)	(21,370)	(23,657)
As at 30 June 2017	<u>484</u>	<u>–</u>	<u>140,774</u>	<u>141,258</u>

28 Dividends

No dividend has been paid or declared by the companies now comprising the Group to the then owners of the companies during each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2017. No dividends have been paid by the Company during the six months ended 30 June 2017.

29 Commitments

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

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

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
			HK\$'000
Operating lease of premises:			
No later than 1 year	4,516	4,299	4,223
Later than 1 year and no later than 5 year	8,776	7,570	6,838
Over 5 years	3,778	2,371	1,898
	<u>17,070</u>	<u>14,240</u>	<u>12,959</u>

The Group had approximately HK\$3,188,000, HK\$2,179,000 and HK\$402,000 capital commitment as at 31 December 2015 and 2016 and 30 June 2017, respectively for purchase of property, plant and equipment.

The Company had no significant commitment as at 30 June 2017.

30 Contingent liabilities

The Group and the Company did not have material contingent liabilities as at 31 December 2015 and 2016 and 30 June 2017.

31 Related party transactions

- (a) 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 Relevant Period:

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

(b) Transactions with related parties

Save as disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the following related party transactions were conducted on a basis mutually agreed by both parties.

	For the year ended		For the six months ended	
	31 December		30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Management fee income from a related company:				
DET	360	–	–	–
Rental expenses of staff's quarter to:				
WK Equipment Limited	(336)	–	–	–
Harvest Dynasty Limited	(480)	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(c) Amounts due from a director and a related company

As at 31 December 2015, the outstanding balances due from a director and a related company were non-trade in nature, unsecured, interest-free and repayable on demand. The balances were denominated in HK\$ and approximated their fair values. The outstanding balances due from a director and a related company have been fully settled during the year ended 31 December 2016.

	As at 31 December		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000
Amounts due from Mr. MP Wong	5,255	–	–
Amounts due from DET	62,402	–	–
	<u>67,657</u>	<u> </u>	<u> </u>

The maximum outstanding balances due from the related parties during the years/period presented are as follows:

	For the year ended		For the six
	31 December		months
	2015	2016	ended
	HK\$'000	HK\$'000	30 June
	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000
Amounts due from Mr. MP Wong	5,255	–	–
Amounts due from DET	62,402	–	–
	<u> </u>	<u> </u>	<u> </u>

(d) Key management compensation

Key management include directors (executive and non-executive) 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		For the six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Salaries and other short-term employee benefits	6,055	6,292	3,059	3,421
Pension costs – defined contribution plans	108	126	63	63
	<u>6,163</u>	<u>6,418</u>	<u>3,122</u>	<u>3,484</u>

(e) Other arrangements with related parties

- (i) As described in Note 22, banking facilities available to the Group were guaranteed by Mr. MP Wong, Mrs. Wong, DET and Win News as at 31 December 2015 and 2016 and 30 June 2017. Such guarantees are to be released upon listing of the Company's shares on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
- (ii) At 31 December 2015 and 2016 and 30 June 2017, the Group had provided a joint corporate guarantees for certain banking facilities of HK\$91,847,000, HK\$139,167,000 and HK\$168,653,000, respectively, for DET. In the opinion of the Directors of the Group, no material liabilities will arise from the above guarantees. Such guarantees are to be released upon listing of the Company's shares on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
- (iii) The operating lease agreements for the office and warehouse used by DET were entered between AV Promotions Limited, a subsidiary of the Group, and a third party. The operating lease agreement for the office and warehouse was expired in 31 May 2016.
- (iv) On 30 December 2015, AV Promotions Limited transferred certain derivative financial instruments to Mr. MP Wong at a consideration of HK\$6,766,000, giving rise to no gain or loss on disposal. In the opinion of the Directors of the Group, the above related party transactions were conducted on a basis mutually agreed by both parties.
- (v) On 23 November 2016, AV Promotions Limited transferred the Insurance Policies to Gain Fortune Investment Limited, a related company, at its carrying value as of that date with a consideration amounted to US\$4,630,000 (equivalent to HK\$35,848,000). In the opinion of the Directors of the Group, the above related party transactions were conducted on a basis mutually agreed by both parties.
- (vi) As described in Note 22, finance lease liabilities were guaranteed by Mr. MP Wong as at 30 June 2017. Such guarantee will be released before listing of the Company's shares on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

32 Subsequent events

Save as disclosed in the report, the following significant events took place subsequent to 30 June 2017:

- (i) The Group replaced the existing time deposits of \$26,000,000 pledged for bank borrowings of HK\$44,000,000 by guarantees provided by Mr. MP Wong and Mrs. Wong and deposits of Mr. MP Wong and Mrs. Wong on 4 September 2017. Such guarantees and pledges are to be released upon listing of the Company's shares on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
- (ii) Pursuant to the resolutions of the sole shareholder passed on 1 December 2017, subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the share offer, the directors are authorised to allot and issue a total of 299,999,000 shares credited as fully paid at par to the sole shareholder as the holder of shares on the register of members of the Company at the close of business on 1 December 2017 (or as it may direct) by way of capitalisation of the sum of HK\$2,999,990 standing to the credit of the share premium account of the company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

33 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of the directors is set out below:

For the six months ended 30 June 2017:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking							Total HK\$'000
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	
Executive directors								
Mr. MP Wong	-	600	-	-	-	9	-	609
Mr. Wong Chi Bor (Note)	-	367	-	-	-	9	-	376
Mr. Wong Hon Po (Note)	-	246	-	90	-	-	-	336
Ms. Fu Bun Bun (Note)	-	304	-	-	-	-	-	304
	-	1,517	-	90	-	18	-	1,625
Independent non-executive directors (to be appointed)								
Mr. Chow Chun To	-	-	-	-	-	-	-	-
Mr. Chen Yeung Tak	-	-	-	-	-	-	-	-
Mr. Cheung Wai Lun Jacky	-	-	-	-	-	-	-	-
Mr. Chan Wing Kee	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Note: The remuneration shown above represented remuneration received by the directors in their capacity as employees of the Operating companies during the six months ended 30 June 2017.

For the six months ended 30 June 2016 (unaudited):

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking							Total HK\$'000 (unaudited)
	Fees HK\$'000 (unaudited)	Salary HK\$'000 (unaudited)	Discretionary bonuses HK\$'000 (unaudited)	Housing allowance HK\$'000 (unaudited)	Estimated money value of other benefits HK\$'000 (unaudited)	Employer's contribution to a retirement benefit scheme HK\$'000 (unaudited)	Remunerations paid or receivable in respect of accepting office as director HK\$'000 (unaudited)	
Executive directors								
Mr. MP Wong	-	600	-	-	-	9	-	609
Mr. Wong Chi Bor (Note)	-	351	-	-	-	9	-	360
Mr. Wong Hon Po (Note)	-	255	-	71	-	-	-	326
Ms. Fu Bun Bun (Note)	-	231	-	-	-	-	-	231
	<u>-</u>	<u>1,437</u>	<u>-</u>	<u>71</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>1,526</u>
Independent non-executive directors (to be appointed)								
Mr. Chow Chun To	-	-	-	-	-	-	-	-
Mr. Chen Yeung Tak	-	-	-	-	-	-	-	-
Mr. Cheung Wai Lun Jacky	-	-	-	-	-	-	-	-
Mr. Chan Wing Kee	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The remuneration shown above represented remuneration received by the directors in their capacity as employees of the Operating companies during the six months ended 30 June 2016.

For the year ended 31 December 2016:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking							Total HK\$'000
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	
Executive directors								
Mr. MP Wong	-	1,200	-	-	-	18	-	1,218
Mr. Wong Chi Bor (Note)	-	724	-	-	-	18	-	742
Mr. Wong Hon Po (Note)	-	546	-	152	-	-	-	698
Ms. Fu Bun Bun (Note)	-	591	-	-	-	-	-	591
	-	3,061	-	152	-	36	-	3,249
Independent non-executive directors (to be appointed)								
Mr. Chow Chun To	-	-	-	-	-	-	-	-
Mr. Chen Yeung Tak	-	-	-	-	-	-	-	-
Mr. Cheung Wai Lun Jacky	-	-	-	-	-	-	-	-
Mr. Chan Wing Kee	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Note: The remuneration shown above represented remuneration received by the directors in their capacity as employees of the Operating companies during the year ended 31 December 2016.

For the year ended 31 December 2015:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking							Total HK\$'000
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	
Executive directors								
Mr. MP Wong	-	1,200	-	1,039	-	18	-	2,257
Mr. Wong Chi Bor (Note)	-	704	-	-	-	18	-	722
Mr. Wong Hon Po (Note)	-	451	-	75	-	-	-	526
Ms. Fu Bun Bun (Note)	-	464	-	-	-	-	-	464
	<u>-</u>	<u>2,819</u>	<u>-</u>	<u>1,114</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>3,969</u>
Independent non-executive directors (to be appointed)								
Mr. Chow Chun To	-	-	-	-	-	-	-	-
Mr. Chen Yeung Tak	-	-	-	-	-	-	-	-
Mr. Cheung Wai Lun Jacky	-	-	-	-	-	-	-	-
Mr. Chan Wing Kee	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The remuneration shown above represented remuneration received by the directors in their capacity as employees of the Operating companies during the year ended 31 December 2015.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors during each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017 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 each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

(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 each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

(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 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 each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

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

In addition to those disclosed elsewhere in the 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 years/periods or at any time during each of the years ended 31 December 2015 and 2016 and each of the six months ended 30 June 2016 and 2017.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this document for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this document and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of the unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer and the Capitalisation Issue on the net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 as if the Share Offer and the Capitalisation Issue had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer and the Capitalisation Issue been completed as at 30 June 2017 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 (note 1) HK\$'000	Estimated net proceeds from the Share Offer (note 2) HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share (note 3) HK\$
Based on the Offer Price of HK\$0.40 per Offer Share	34,500	28,151	62,651	0.157
Based on the Offer Price of HK\$0.60 per Offer Share	34,500	46,401	80,901	0.202

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 is extracted from Accountant's Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$0.40 and HK\$0.60 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately HK\$12,351,000, which have been charged to our consolidated statement of comprehensive income up to 30 June 2017, and takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma net tangible assets per Share is determined at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 30 June 2017 but takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate.

- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2017.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of AV Promotions Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AV Promotions Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 8 December 2017, in connection with the proposed placing and public offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing and public offer on the Group's financial position as at 30 June 2017 as if the proposed placing and public offer had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 30 June 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing and public offer at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 8 December 2017

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 1 December 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

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(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

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terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

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(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

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The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

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No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any

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of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

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(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

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Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

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All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

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(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

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(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 23 February 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

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Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

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A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

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(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 14 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to

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be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

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(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

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liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrars of Companies in Hong Kong and available for Inspection – Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 February 2017. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 7 April 2017, and establishes a principal place of business in Hong Kong at 6th Floor, Leader Centre, 37 Wong Chuk Hang Road, Aberdeen, Hong Kong. Mr. MP Wong of Flat B, 21/F, Tower 1, 37 Repulse Bay Road, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in “Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One fully-paid Share was allotted and issued to Reid Services Limited, the initial subscriber on 23 February 2017, and was subsequently transferred to Mega King on the same day.
- (b) On 31 March 2017, a further 999 Shares of HK\$0.01 were allotted and issued to Mega King, representing 100% of the enlarged issued share capital of our Company.
- (c) On 1 December 2017, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 1,600,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in “Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 1 December 2017” in this appendix and pursuant to the exercise of the Offer Size Adjustment Option and the Share Option Scheme, our Company does not have any present intention to issue any of

the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in “History, Corporate Development and Reorganisation” in this prospectus and “A. Further Information about our Company – 2. Changes in share capital of our Company” in this appendix, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 1 December 2017

On 1 December 2017, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) conditional on the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Share Offer and the grant of the Offer Size Adjustment Option by our Company were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$2,999,990 standing to the credit of the share premium

account of our Company and to appropriate such amount as to capital to pay up in full at par 299,999,000 Shares for allotment and issue to our sole Shareholder as the person whose name appeared on the register of members of our Company at the close of business on 1 December 2017 (or as it may direct), each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or the exercise of the Offer Size Adjustment Option or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate of not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing and our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to "History, Corporate Development and Reorganisation – Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in "A. Further Information about our Company – 4. Corporate reorganisation" in this appendix and in "History, Corporate Development and Reorganisation – Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our sole Shareholder on 1 December 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate number of Shares in issue in our Company immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the

repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:



- (a) an equity transfer agreement dated 9 July 2016 entered into between AVP, Cheng Sheng* (程勝), Zhang Ping Ping* (張平平) and Huang Xing Jin* (黃杏金), pursuant to which Cheng Sheng* (程勝), Zhang Ping Ping* (張平平) and Huang Xing Jin* (黃杏金) agreed to acquire 100% equity interest in AV Beijing Jiaye from AVP at a consideration of RMB15,000;

- (b) a sale and purchase agreement dated 7 April 2017 entered into among Mr. MP Wong, Mrs. Wong and AV Promotions (BVI), pursuant to which AV Promotions (BVI) agreed to acquire 9,999,999 ordinary shares and one ordinary share in AVP from Mr. MP Wong and Mrs. Wong respectively, at a total consideration of HK\$4,862,081 and was satisfied by AV Promotions (BVI) in aggregate allotted and issued 99 shares in AV Promotions (BVI), credited as fully paid, to our Company;
- (c) an instrument of transfer dated 7 April 2017 entered into between AV Promotions (BVI) and Mr. MP Wong for the transfer of 9,999,999 ordinary shares in AVP as referred to item (b) above;
- (d) bought and sold notes dated 7 April 2017 executed by AV Promotions (BVI) and Mr. MP Wong for the transfer of 9,999,999 ordinary shares in AVP as referred to item (b) above;
- (e) an instrument of transfer dated 7 April 2017 entered into between AV Promotions (BVI) and Mrs. Wong for the transfer of one ordinary share in AVP as referred to item (b) above;
- (f) bought and sold notes dated 7 April 2017 executed by AV Promotions (BVI) and Mrs. Wong for the transfer of one ordinary share in AVP as referred to item (b) above;
- (g) a shares assignment contract dated 10 April 2017 entered into among Mr. MP Wong, AVP (BVI), Mr. CB Wong and AVP (Macau) Investment, pursuant to which AVP (BVI) agreed to acquire one share with the nominal value of MOP210,000 of AVP (Macau) from Mr. MP Wong at a consideration of MOP210,000, and AVP (Macau) Investment agreed to acquire one share with the nominal value of MOP90,000 of AVP (Macau) from Mr. CB Wong at a consideration of MOP90,000;
- (h) the Deed of Non-competition;
- (i) the Deed of Indemnity;
- (j) the Deed of Reorganisation; and
- (k) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks (in both (i) colour and (ii) black and white versions):

Trademark	Trademark number	Class	Date of registration	Expiry date	Registered owner	Place of registration
	304071483	41	9 March 2017	8 March 2027	AV Promotions (BVI)	Hong Kong
	304071483	41	9 March 2017	8 March 2027	AV Promotions (BVI)	Hong Kong

(b) Domain name(s)

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Registrant	Registration date	Expiry date
avpromotions.com.hk	AV Promotions (BVI)	23 October 2000	26 April 2019
avpromotions.com	AV Promotions (BVI)	24 June 1997	23 June 2026
avpromotions.com.mo	AV Promotions (BVI)	27 July 2007	27 July 2020

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS AND DIRECTORS

1. Disclosure of Interests

(a) *Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

Name	Capacity/ nature of interest	Number of Shares held/ interested immediately following completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding immediately following completion of the Share Offer and the Capitalisation Issue
Mr. MP Wong (Notes 1 & 2)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	300,000,000	75%

Notes:

- The 300,000,000 Shares will be held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by the Trustee acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Mrs. Wong, Mr. Wong Hin Hang (the son of Mr.

MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the Trust Deed. Mr. MP Wong as settlor, appointer and a beneficiary of The WMPE Family 2017 Trust is deemed or taken to be interested in the 300,000,000 Shares held by Mega King.

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

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

Name of Director	Name of associated corporation	Capacity/ nature	Number of share(s) held/ interested	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%

Notes:

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.

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Share Offer and the Capitalisation Issue, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Long position in the Shares

Name	Capacity/nature of interest	Number of Shares held/ interested immediately following completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding immediately following completion of the Share Offer and the Capitalisation Issue
Mega King (<i>Note 1</i>)	Beneficial owner	300,000,000	75%
Jumbo Fame (<i>Note 1</i>)	Interest of controlled corporation	300,000,000	75%
Trustee (<i>Note 1</i>)	Trustee	300,000,000	75%
Mrs. Wong (<i>Note 2</i>)	Interest of spouse	300,000,000	75%

Notes:

- The 300,000,000 Shares will be held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by the Trustee acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Mrs. Wong, Mr. Wong Hin Hang (the son of Mr. MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the Trust Deed. By virtue of the provisions of Part XV of the SFO, each of Jumbo Fame and the Trustee is deemed to be interested in all the Shares held by Mega King.

2. 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.

2. Particulars of service agreements and letters of appointment

Each of our Directors has entered into a service agreement or letters of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

3. Remuneration of our Directors

- (a) The aggregate amount of remuneration paid by our Group to our Directors in respect of the financial years ended 31 December 2015 and 2016 were approximately HK\$3,969,000 and HK\$3,249,000, respectively.
- (b) Under the arrangements currently in force at the date of this prospectus, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK\$2,990,000.
- (c) The basic annual salaries of our executive Directors and the basic annual director's fees of our independent non-executive Directors are as follows:

Name	Annual amount HK\$'000
Executive Directors	
Mr. Wong Man Por	1,200
Mr. Wong Hon Po	546
Mr. Wong Chi Bor	724
Ms. Fu Bun Bun	591
Independent non-executive Directors	
	<i>HK\$'000</i>
Mr. Chow Chun To	150
Mr. Chen Yeung Tak	150
Mr. Cheung Wai Lun Jacky	150
Mr. Chan Wing Kee	150

4. Agency fees or commissions received

Save as disclosed in “Underwriting – Commission and Expenses” in this prospectus, and in “E. Other Information – 3. Sole Sponsor” in this appendix, none of our Directors or the experts named in “E. Other Information – 7. Consents of Experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 28 to the Accountants’ Report of our Company as set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in “Further Information about our Company – 6. Repurchase of Shares by our Company” in this appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (b) taking no account of any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on GEM;

- (c) none of our Directors or the experts named in “Other Information – 6. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in “Other Information – 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in “Other Information – 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) save as disclosed in “2. Particulars of service agreements and letters of appointment” above, none of our Directors has entered or has proposed to enter into any service agreements or letters of appointment with our Company or any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 1 December 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	1 December 2017, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 1 December 2017:

(i) 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.

(ii) Who may join and basis of eligibility

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, contractor, supplier, agent, customer, business partner or services provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) 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.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) 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.

(v) Maximum number of Shares

- (aa) subject to sub-paragraphs (bb) and (cc) below, the total number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of the number of Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the

number of Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.

- (cc) Subject to sub-paragraph (dd) below, our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the number of Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the number of Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates (or his/her associates if the grantee is a connected person of the Company) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of 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\$5,000,000,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. Such grantee, his/her associates and all core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant) at such general meeting. Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
 - (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

- (ii) the last day on which our Company to announce its results for any year, half-year or quarterly period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital

of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules (or any guideline or supplemental guideline issued by the Stock Exchange from time to time) (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as nearly as possible the same proportion of the issued share capital of our Company (but in any event shall not be greater than) that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case maybe, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case maybe, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already lapsed or exercised) at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any

other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically and not exercisable (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;

- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) in the event that the grantee is an employee of the Group when an offer is made to him/her and he/she subsequently ceases to be an employee of the Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, the date of cessation of his/her employment with the Group. A resolution of the Board or the board of directors of the relevant member of the Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (xx)(ff) shall be conclusive and binding on the grantee;
- (gg) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (hh) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme 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 preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees or prospective grantees except relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination of the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of, and permission to deal in 40,000,000 Shares which fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Indemnifiers have entered into a Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (i) referred to in “B. Further Information about our Business – 1. Summary of Material Contracts” in this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for the Hong Kong estate duty which might be incurred by any of our Company, its subsidiaries, Shanghai Audio, AV Beijing Yuanfang and AV Beijing Jiaye (collectively, the “Companies”) by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any of the Companies at any time on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental to or relating to taxation) and claims falling on any of the Companies resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions or events entered into or occurring, on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation, liabilities or claims in the audited accounts of any of the Companies up to the end of the Track Record Period;
- (b) to the extent that such taxation, liabilities or claims falling on any of the Companies in respect of any accounting period commencing on the day immediately after the end of the Track Record Period and ending on the Listing Date, where such taxation, liabilities or claims would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any of the Companies (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after the end of the Track Record Period; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation, liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, Macau or any other relevant authority (whether in the PRC, Hong Kong, Macau or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation, liabilities or claims arise or are increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any of the Companies up to the end of the Track Record Period which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to each member of our Group that they will indemnify and at all times keep each member of our Group fully indemnified, on a joint and several basis, from and against all depletion in or reduction in value of assets, increase in liabilities, losses (including suspension of operation), claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs (including legal costs on a full indemnity basis), expenses, interest, fines, penalties, payments of whatever nature suffered or incurred by any of the Companies directly or indirectly arising out of or in connection with any of the following (collectively, the “**Indemnified Matters**”):

- (a) the implementation of the corporate reorganisation of the Companies in the preparation of the Listing as described in this prospectus;
- (b) all breaches, non-compliance and/or violation of, by any of the Companies on or before the Listing Date, any applicable laws, rules and/or regulations of the PRC, Hong Kong and Macau in relation to all the matters as referred to in “Business – Legal and Compliance Matters – Summary of non-compliances” in this prospectus; and
- (c) all claims, penalties and fines and all losses and damages which may be suffered by any of the Companies as a result of the provision of video, lighting and audio solutions by any of the Companies during the period between the respective dates of incorporation of the Companies and the Listing Date,

provided that the Indemnifiers are under no liability under the Deed of Indemnity in respect of the Indemnified Matters:

- (i) to the extent that provision or reserve has been made for the relevant Indemnified Matters in the audited accounts of any of the Companies for any accounting period up to the end of the Track Record Period; or
- (ii) to the extent that any provision or reserve made for the Indemnified Matters in the audited accounts of any of the Companies for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of the Indemnified Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of the Indemnified Matters shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC or Hong Kong or Macau is likely to fall on our Group.

2. Litigation

Our Directors confirmed that no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group as at the Latest Practicable Date.

3. Sole Sponsor

Halcyon Capital has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The fee payable by our Company in respect of Halcyon Capital's services as sole sponsor to the Listing is HK\$5,080,000, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately USD\$4,800 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualifications
Halcyon Capital Limited	A corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined in the SFO
PricewaterhouseCoopers	Certified Public Accountants
Beijing Grandway Law Offices	PRC Legal Advisers
DSL Lawyers	Macau Legal Advisers
Appleby	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law of Hong Kong
Euromonitor International Limited	Independent Industry Consultant

7. Consents of experts

Each of the experts named in “E. Other Information – 6. Qualifications of Experts” in this appendix has given and has not withdrawn its/his written consent to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the CWUMPO so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and

other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. Material adverse change

Save as disclosed in “Financial Information – Material Adverse Change” in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 June 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
 - (ii) no founders, management or deferred shares or any debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
 - (v) none of the experts named in “E. Other Information – 6. Qualifications of Experts” in this appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;

- (vi) our Company and any of its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) there is no arrangement in existence under which future dividends are waived or agreed to be waived;
- (ix) our Group has no outstanding convertible debt securities; and
- (x) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in “E. Other Information – 7. Consents of Experts” in Appendix IV to this prospectus; and (b) copies of the material contracts referred to “B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus.

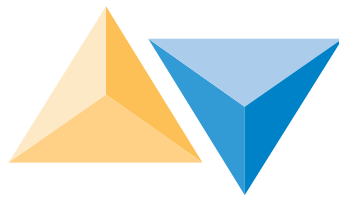
DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Cheung and Choy at Room 417-418, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Amended and Restated Memorandum and the Articles;
- (b) the accountant’s report of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for each of the two financial years ended 31 December 2016 and the six months ended 30 June 2017;
- (d) the report prepared by PricewaterhouseCoopers, in respect of unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the Euromonitor Report, the text of which is summarised in “Industry Overview” in this prospectus;
- (f) the legal opinions issued by Beijing Grandway Law Offices, our PRC Legal Advisers, in respect of certain aspects of our Group and the property interest of our Group;
- (g) the legal opinions issued by DSL Lawyers, our Macau Legal Advisers, in respect of certain aspects of our Group and the property interest of our Group;
- (h) the material contracts referred to in “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (i) the service agreements and letters of appointment referred to in “Statutory and General Information – C. Further information about Substantial Shareholders and Directors – 2. Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (j) the rules of the Share Option Scheme;
- (k) the written consents referred to in “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (l) the Companies Law;
- (m) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus; and
- (n) the letter of advice prepared by the Legal Counsel.



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